

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their first report together with the audited financial statements of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2005.

GROUP REORGANISATION

The Company was incorporated in the Cayman Islands on 24 July 2003 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation (the “Reorganisation”) to rationalise the structure of the Group in preparation for the listing of the Company’s shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of the companies now comprising the Group on 17 June 2005. Details of the Reorganisation are set out in note 1 to the financial statements of the Group.

The Company’s shares were listed on the Main Board of the Stock Exchange since 15 July 2005 (the “Listing Date”).

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries set out in Note 18 to the financial statements are primarily manufacturing and sale of plastic moulds, plastic and electronic products and components.

An analysis of the Group’s performance for the year by business and geographical segments is 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 30.

During the financial year, an interim dividend of HK2 cents per share and a special interim dividend of HK1.5 cents per shares were paid by the Company. The directors recommend the payment of a final dividend of HK 1.5 cents per share, totalling HK\$4,500,000. The proposed final dividend for 2005 of HK 1.5 cents per share is to be approved by shareholders at the 2006 Annual General Meeting scheduled to be held on 24 May 2006.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in Note 30 to the financial statements.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$1,328,800.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 15 to the financial statements.

REPORT OF THE DIRECTORS (Continued)

SHARE CAPITAL

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

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, share premium is distributable to shareholders, subject to the condition that immediate following the date on which the distribution or dividend is proposed to be made, the Company is able to pay its debts as they fall due in the ordinary course of business. Distributable reserves of the Company at 31 December 2005, calculated according to the Companies Law, Chapter 22 (law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to HK\$122,664,000 (2004: HK\$49,919,000).

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws and there was no restriction against such rights under the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

FOUR YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 82.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

SHARE OPTIONS

Pursuant to a written resolution of the shareholders of the Company passed on 22 June 2005, a share option scheme (the "Share Option Scheme") was approved and adopted.

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentive or rewards for their contributions or potential contributions to the Group.

For the purpose of the Share Option Scheme, participants include (i) any executive, non-executive or independent non-executive Director of the Group; (ii) any employee (whether full time or part time) of the Group; and (iii) any supplier and/or sub-contractor of the Group.

The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10 per cent. (the "General Scheme Limit") of the total number of shares on the Listing Date.

REPORT OF THE DIRECTORS (Continued)

SHARE OPTIONS (Continued)

The Company may seek approval of the shareholders in general meeting to refresh the General Scheme Limit such that the total number of shares which may be allotted and issue upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 10 per cent. of the issued share capital of the Company at the date of approval to refresh such limit.

Notwithstanding the above, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30 per cent. of the total number of shares of the Company in issue from time to time. No option may be granted under the Share Option Scheme and any other share option schemes of the Company if this will result in the aforesaid 30 per cent. limit being exceeded.

Unless with the approval of the shareholders in general meeting, the maximum number of shares issued and to be issued upon the exercise of the options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme and other share option schemes of the Company in any twelve - month period shall not exceed 1 per cent. of the shares in issue.

An option must be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of the option is made, but shall end in any event not later than 10 years from the date on which the offer for the grant of the option is made, subject to the provisions for early termination thereof. The amount payable on acceptance of the grant of an option is HK\$1.

Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is neither any performance target that needs to be achieved by a grantee before an option can be exercised nor any minimum period for which an option must be held before it can be exercised.

The subscription price in respect of each share issued under the Share Option Scheme shall be a price solely determined by the Directors but shall not be less than the highest of:

- (i) the nominal value of a share;
- (ii) the closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange on the date upon which the relevant option is accepted and deemed to be granted (the "Commencement Date"), which must be a business day;
- (iii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the Commencement Date.

The Share Option Scheme shall be valid and effective for a period of 10 years commencing from the date on which the Share Option Scheme is adopted.

As at the date of this report, no option has been granted or agreed to be granted pursuant to the Share Option Scheme.

REPORT OF THE DIRECTORS (Continued)

DIRECTORS

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

Executive Directors

Mr. Lam Yin Kee (<i>Chairman</i>)	(appointed on 18 August 2003)
Ms. Yeung Po Wah	(appointed on 18 August 2003)
Mr. Toshio Daikai	(appointed on 18 August 2003)
Mr. William Peter Shelley	(appointed on 18 August 2003)

Non-executive Director

Mr. Fan, William Chung Yue	(appointed on 17 June 2005)
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Independent Non-executive Directors

Mr. Barry John Buttifant	(appointed on 17 June 2005)
Mr. Leung Kam Wah	(appointed on 17 June 2005)
Ms. Yeung Chi Ying	(appointed on 17 June 2005)

All the executive Directors had been appointed for nearly three years and the non-executive Director and independent non-executive Directors were appointed by the Board pursuant to Article 86(3) of the Company's Articles of Association. Accordingly, all Directors shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Lam Yin Kee, Ms. Yeung Po Wah, Mr. Toshio Daikai and Mr. William Peter Shelley has entered into a service contract with the Company. Particulars of these contracts, except as indicated, are in all material respects identical and are summarised as follows:

- (i) each service contract is of an initial term of three years commencing on the Listing Date and shall continue thereafter until terminated in accordance with the terms of the contracts. Under the contract, either party may terminate the contract at any time by giving to the other not less than three months' prior notice in writing;
- (ii) the monthly salary for each of Mr. Lam Yin Kee, Ms. Yeung Po Wah, Mr. Daikai Toshio and Mr. William Peter Shelley as per respective service contract was HK\$140,000, HK\$46,000, HK\$60,000 and HK\$59,142 respectively, subject to annual increment of not more than 10% and discretionary bonus of not more than 10% of the Group's profit in aggregate;
- (iii) the Group provides directors' accommodation to Mr. Lam Yin Kee and Mr. Toshio Daikai at a monthly rental of HK\$80,000 and HK\$11,000 respectively. In addition, a monthly housing allowance of HK\$12,000 is payable to Mr. William Peter Shelley.

The non-executive Director and independent non-executive Directors were appointed for an initial term of one year commencing from 17 June 2005 and such appointment shall continue thereafter from year to year until terminated by either party with one month's notice in writing.

Save as disclosed above, none of the directors has entered or has proposed to enter into any service contract with the Company or any member of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

REPORT OF THE DIRECTORS (Continued)

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this annual report and other than in connection with the Reorganisation, no contracts of significance in relation to the Group's business to which the Company, any of its fellow subsidiaries or its parent company 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are set out on pages 10 to 12 of this annual report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

The Company became a listed company on 15 July 2005. At 31 December 2005, the interests and short positions of each Director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules were as follows:

(a) THE COMPANY (ordinary shares of HK\$0.01 each)

		Number of shares held			% of the Issued Share Capital of the Company	
		Personal interest	Family interest	Corporate interest	Total	
Mr. Lam Yin Kee	Long positions	–	–	210,000,000*	210,000,000	70.00
Ms. Yeung Po Wah	Long positions	–	210,000,000*	–	210,000,000	70.00
Mr. Toshio Daikai	Long positions	801,000	–	–	801,000	0.27

* These shares are owned by Profit International Holdings Limited, a company incorporated in the British Virgin Islands and is owned as to 95% by Mr. Lam Yin Kee and 5% by Ms. Yeung Po Wah. Ms. Yeung Po Wah is the spouse of Mr. Lam Yin Kee.

REPORT OF THE DIRECTORS (Continued)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (Continued)

(b) ASSOCIATED CORPORATION, Profit International Holdings Limited (Ordinary shares of US\$1 each)

		Number of shares held			Total	% of the Issued Share Capital of the associated corporation
		Personal interest	Family interest	Corporate interest		
Mr. Lam Yin Kee	Long positions	950	–	–	950	95.00
Ms. Yeung Po Wah	Long positions	50	–	–	50	5.00

Saved as disclosed above, at no time during the year, the Directors and chief executives (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and its associated corporations required to be disclosed pursuant to the SFO.

Other than those interests and short positions as disclosed above, the Directors and chief executives also hold shares of certain subsidiaries solely for the purpose of ensuring that the relevant subsidiary has more than one member.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 31 December 2005, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

		Number of shares held			% of the Issued Share Capital of the Company
Name		Personal interest	Nature of interest	Total	
Profit International Holdings Limited	Long positions	210,000,000	Beneficially owned	210,000,000	70.00
San Luen Investment Limited	Long positions	16,020,000	Beneficially owned	16,020,000	5.34

REPORT OF THE DIRECTORS (Continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY (Continued)

Save as disclosed above and so far as the Directors and chief executives of the Company are aware of, as at 31 December 2005, there were no other person, other than the 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 in accordance with the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

MANAGEMENT CONTRACTS

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

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

– the largest supplier	13%
– five largest suppliers combined	27%

Sales

– the largest customer	40%
– five largest customers combined	71%

One of the top five customers of the Group is Maruman Products Co. Ltd. ("Maruman"), a company incorporated in Japan and engages in trading in general merchandises. Maruman is owned as to 24.7% by Mr. Lam Yin Kee. Total sales to Maruman for the year ended 31 December 2005 amounted to HK\$19,129,000.

Save as disclosed above, none of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

REPORT OF THE DIRECTORS (Continued)

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 38 to the financial statements also constituted connected transactions under the Listing Rules, are required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transactions between certain connected parties (as defined in the Listing Rules) and the Company have been entered into and/or are ongoing for which relevant announcements, if necessary, had been made by the Company in accordance with the requirements of the Listing Rules.

(1) Exempted continuing connected transaction

The Group has rented a quarter as directors' accommodation from Profit Home Investments Limited ("Profit Home") at a monthly rental of HK\$80,000. Ms. Yeung Po Wah holds 60% of shareholding and is a director of Profit Home. Ms. Yeung Po Wah is an executive Director of the Company and the wife of Mr. Lam Yin Kee, therefore, the lease constitutes a connected transaction of the Group under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios calculated in relation to the above connected transaction is less than 2.5% and the total consideration is less than HK\$1,000,000, the transaction qualifies as a de minimis transaction pursuant to Rule 14A.31(2) of the Listing Rules and is therefore exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

The independent non-executive Directors of the Company have reviewed the aforesaid continuing connected transaction that it was entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the and within the knowledge of the Directors, it is confirmed that there is sufficient public float of more than 25% of the Company's issued shares at the date of this report.

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Lam Yin Kee

Chairman

Hong Kong, 24 April 2006