

The Board of Directors of the Company, present their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principle activities and other particulars of the subsidiaries of the Company are set out in note 30 to the consolidated financial statements.

An analysis of the Group's performance for the year by business category is set out in note 6 to the consolidated financial statements.

SEGMENTAL INFORMATION

The analysis of the Group's principal activities and geographical locations of customers of the Group during the financial year are set out in note 7 to the consolidated financial statements.

RESULTS

The results of the Group for year ended 31 December 2005 are set out in the consolidated income statement on page 27.

DIVIDENDS

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

LOSS PER SHARE

The calculation of basic loss per share for the year is based on the loss for the year attributable to equity holders of the parent of approximately HK\$44,172,000 (2004: HK\$18,401,000), and the weighted average of 575,914,247 (2004: 482,759,563) ordinary shares in issue during the year.

No diluted loss per share has been presented as there were no potential ordinary shares in issue in both years.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	28.28%	–
Five largest customers in aggregate	48.7%	–
The largest supplier	–	10.87%
Five largest suppliers in aggregate	–	33%

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

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 23 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 29.

BANK BORROWINGS

Particulars of bank loans of the Group as at 31 December 2005 are set out in note 20 to the consolidated 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 pages 63 to 64.

DIRECTORS

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

Executive Directors

Mr. Wang Chia Chin (<i>Chairman</i>)	
Mr. Chen Ho Fa	
Mr. Chen Fang Yu	(retired on 27 May 2005)
Mr. Wu Chi Lok	(appointed on 30 April 2005)
Mr. Wong Chong Fai, William	(appointed on 30 April 2005)
Mr. Yeung Tsz Keung, Jackey	(appointed on 9 November 2005)

Independent Non-Executive Directors

Mr. Chen Chin Ming	(resigned on 27 May 2005)
Mr. Lui Cho Tak	(resigned on 27 May 2005)
Mr. Hirosuke Yogo	(resigned on 11 August 2005)
Mr. Chan But Leung	(appointed on 27 May 2005)
Mr. Shum Po Cheung	(appointed on 27 May 2005 and will resign with effect from 11 May 2006)
Mr. Lui Nam Kit	(appointed on 11 August 2005)

In accordance with article 108(A) of the Company's articles of association, Mr. Chen Ho Fa will retire by rotation at the forthcoming annual general meeting of the Company. Mr. Chen Ho Fa has indicated to the Board that he does not offer himself for re-election. The Company has been informed that Mr. Shum Po Cheung will resign as an Independent Non-Executive Director of the Company with effect from 11 May 2006. The relevant announcement will be published thereon. In accordance with article 112 of the Company's article of association, Mr. Wu Chi Lok, Mr. Wong Chong Fai, William, Mr. Yeung Tsz Keung, Jackey, Mr. Chan But Leung, Mr. Shum Po Cheung and Mr. Lui Nam Kit shall hold office only until the forthcoming annual general meeting of the Company and shall be eligible for re-elections. These Directors, being eligible, will offer themselves for re-elections at the meeting.

EMOLUMENT POLICY

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

The Company has adopted a share option scheme as incentive to Directors and eligible employees, details of the scheme are set out as "Share Option Scheme" below.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Wang Chia Chin and Mr. Chen Ho Fa, both are Executive Directors, has entered into a service contract with the Company for an initial fixed term of three years commencing from 1 January 2002, and will continue thereafter until terminated by in writing served by either party giving to the other not less than three months' notice after the expiration of the said initial fixed term.

Each of Mr. Wu Chi Lok, Mr. Wong Chong Fai, William and Mr. Yeung Tsz Keung, Jackey, all are Executive Directors, has entered into a service contract with the Company for an initial fixed term of two years commencing from 30 April 2005 for Mr. Wu and Mr. Wong and commencing from 9 November 2005 for Mr. Yeung, and will continue thereafter until terminated by either party giving to the other not less than three months' notice after the expiration of the said initial fixed term.

Each of the Independent Non-Executive Directors has not entered into a service contract with the Company and does not have specific terms of appointment but is subject for retirement as required by the articles of association of the Company.

No Director proposed for re-elections at the forthcoming Annual General Meeting has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2005, the interests and short positions of the Directors and Chief Executive of the Company, or their associates 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 (Chapter 571 of the Laws of Hong Kong), the "SFO") which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken 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 which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to Company and the Stock Exchange were as follows:

Name of director	Capacity	Number of issued Shares held	Total interest	Approximate Percentage of the issued share capital of the Company
Mr. Wang Chia Chin	Beneficial owner	1,000,000		
	Interest of spouse (Note)	126,252,000	127,252,000 (L)	17.32%
Mr. Chen Ho Fa	Beneficial owner	2,804,000	2,804,000 (L)	0.38%
Mr. Wu Chi Lok	Beneficial owner	34,150,000	34,150,000 (L)	4.65%
Mr. Wong Chong Fai, William	Beneficial owner	4,150,000	4,150,000 (L)	0.57%

The letter "L" denotes a long position in shares of the Company

Note: These 126,252,000 Shares are held and beneficially owned by Ms. Ko Su Mei, the spouse of Mr. Wang Chia Chin. Under the SFO, Mr. Wang Chia Chin is deemed to be interested in these 126,252,000 Shares.

Save as disclosed above, as at 31 December 2005, none of the Directors or Chief Executive of the Company had any interest or short position in any shares, underlying shares or debenture of the Company or any of its associated corporations (as defined in Part XV of the SFO) which are 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 which they were taken or deemed to have under SFO) or were recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2005, as far as it was known by the Directors or Chief Executive of the Company, the following persons (other than a Director or chief executive of the Company disclosed under the section "Directors' and Chief Executive's Interests in Securities" above) had an interest in the Shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of Shares carrying rights to vote in all circumstances at general meetings of the Company:

Name of Shareholder	Capacity	Number of issued shares held	Total interest	Approximate Percentage of the issued share capital of the Company
Ms. Ko Su Mei	Beneficial owner	126,252,000	127,252,000 (L)	17.32%
	Interest of spouse (Note)	1,000,000		
Mr. Lam Man Tung	Beneficial owner	39,700,000	39,700,000 (L)	5.41%

The letter "L" denotes a long position in shares of the Company.

Note: These 1,000,000 Shares are held and beneficially owned by Mr. Wang Chia Chin, an Executive Director of the Company and the spouse to Ms. Ko Su Mei. Under the SFO, Ms. Ko Su Mei is deemed to be interested in these 1,000,000 Shares.

Save as disclosed herein, there is no person known to the Directors, who, as at 31 December 2005, had an interest or short position in the Shares 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, or who was directly or indirectly interested in 10% or more of the normal value of any class of shares carrying rights to vote in all circumstances at general of the Company or any other members of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Share option scheme" below, at no time during the year were the rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or Chief Executive of the Company or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company or its 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 or at any time during the year.

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 in the year under review.

CONNECTED TRANSACTIONS

During the year there were no transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, none of the Directors are considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, pursuant to the Listing Rules, other than those business of which the directors were appointed as directors to represent the interest of the Company and/or the Group.

SHARE OPTION SCHEME

The Company has adopted share option scheme on 17 January 2002 (the "Scheme") for which the details are set out in note 28 to the consolidated financial statements.

Details of the movements in the share options during the year ended 31 December 2005 under the Scheme are as follows:

Name or category of participant	Date of grant	Outstanding as at 1 January 2005	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2005	Exercisable period	Exercise Price per share of the Company HK\$
(a) Director								
Wu Chi Lok	4 July 2005	-	4,150,000	4,150,000	-	-	4 July 2005–3 July 2015	0.0994
Wong Chong Fai, William	4 July 2005	-	4,150,000	4,150,000	-	-	4 July 2005–3 July 2015	0.0994
(b) Employee, In aggregate								
	4 July 2005	-	4,150,000	4,150,000	-	-	4 July 2005–3 July 2015	0.0994
(c) Others, In aggregate								
	4 July 2005	-	29,050,000	29,050,000	-	-	4 July 2005–3 July 2015	0.0994
		-	41,500,000	41,500,000	-	-		

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

PURCHASES, REDEMPTIONS OR SALES OF COMPANY'S LISTED SECURITIES

There were no purchases, redemptions or sales of the Company's listed securities by the Company or any of its subsidiaries during the year.

RETIREMENT SCHEMES

The Group's subsidiary in the People's Republic of China (the "PRC") participates in a defined contribution retirement scheme organized by the PRC municipal government and is required to make contribution at 8% of the relevant PRC employees' salaries to the scheme. The Group's subsidiary in Hong Kong has also participated in a mandatory provident fund scheme for its staff baled in Hong Kong pursuant to the Mandatory Provident Fund Schemes Ordinance. Save as disclosed the Group was not required to operate any other retirement schemes for its employees and the Group had no other obligation to make payments in respect of retirement benefits of its employees during the year.

POST BALANCE SHEET EVENTS

Details of the post balance sheet events for the year are set out in note 31 to the consolidated financial statements.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the unaudited consolidated financial statements for the year ended 31 December 2005. Information on the work of Audit Committee and its composition are set out in the Report of the Corporate Governance on pages 14 of this annual report.

PUBLIC FLOAT

As far as the information publicly available to the Company is concerned and to the best knowledge of the Directors of the Company, at least 25% of the Company's issued share capital were held by members of the public as at 25 April 2006 (being the latest practicable date prior to the printing of this annual report for the purpose of ascertaining the relevant information contained in this report).

AUDITORS

The consolidated financial statements of the Group for the year ended 31 December 2002 was audited by KPMG.

During the year ended 31 December 2003, KPMG resigned and KLL Associates CPA Limited (“KLL”) was appointed as auditors of the Company. The consolidated financial statements of the Group for the years ended 31 December 2003 and 2004 have been audited by KLL.

As a reason of the result of the combination of the practice of KLL with that of BDO McCabe Lo Limited (“BDO”) which took place on 1 August 2005, KLL had tendered their resignation as auditors of the Company and its subsidiaries with effect from 15 September 2005.

BDO tendered their resignation as auditors of the Company with effect from 22 December 2005 and ShineWing (HK) CPA Limited (“ShineWing”) was appointed as auditors of the Company to fill the casual vacancy created by the resignation of BDO.

The consolidated financial statements of the Group for the year ended 31 December 2005 have been audited by ShineWing. Save as disclosed above, there have been no other changes of the auditors of the Company in the past three years.

The Board has not taken a different view from that of the audit committee regarding the changes of the Auditors of the Company as disclosed above.

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint ShineWing as auditors of the Company.

By order of the Board

Wang Chia Chin

Chairman

Hong Kong, 24 April 2006