

Directors' Report

The directors are pleased to present their report and the audited financial statements of the Company and the Group for the year ended 31st December 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31st December 2005 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 25 to 64.

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

FINANCIAL INFORMATION SUMMARY

The following is a summary of the published combined/consolidated results and assets and liabilities of the Group for the five years ended 31st December 2001, 2002, 2003, 2004 and 2005, prepared on the basis set out in the note below:

Results	Year ended 31st December				
	2005 HK\$'000	2004 HK\$'000 (restated)	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
TURNOVER	<u>515,877</u>	<u>486,779</u>	<u>421,717</u>	<u>502,793</u>	<u>441,458</u>
PROFIT FROM OPERATIONS	<u>46,033</u>	<u>89,965</u>	<u>61,292</u>	<u>76,331</u>	<u>60,542</u>
Finance costs	<u>(2,609)</u>	<u>(567)</u>	<u>(84)</u>	<u>(1,102)</u>	<u>(796)</u>
PROFIT BEFORE TAXATION	<u>43,424</u>	<u>89,398</u>	<u>61,208</u>	<u>75,229</u>	<u>59,746</u>
Taxation	<u>(3,749)</u>	<u>9,356</u>	<u>(4,312)</u>	<u>(12,866)</u>	<u>(9,658)</u>
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS	<u>39,675</u>	<u>98,754</u>	<u>56,896</u>	<u>62,363</u>	<u>50,088</u>

FINANCIAL INFORMATION SUMMARY *(Continued)*

Assets and liabilities	At 31st December				
	2005 HK\$'000	2004 HK\$'000 (restated)	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
NON-CURRENT ASSETS	252,949	209,527	152,849	102,940	86,582
CURRENT ASSETS	347,070	300,595	243,235	218,153	156,517
TOTAL ASSETS	600,019	510,122	396,084	321,093	243,099
CURRENT LIABILITIES	192,077	150,806	152,969	124,476	94,981
NON-CURRENT LIABILITIES	50,000	37,500	161	415	4,352
TOTAL LIABILITIES	242,077	188,306	153,130	124,891	99,333
	357,942	321,816	242,954	196,202	143,766

Note: The Group's consolidated results for the year ended 31st December 2001 includes the results of the Company and its subsidiaries as if the current structure of the Group had been in existence throughout the year ended 31st December 2001.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 24 and 25 to the financial statements.

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, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

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RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 26 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31st December 2005, the Company's reserves available for distribution, calculated in accordance with the Companies Law (Revised) of the Cayman Islands, amounted to HK\$165,575,000 (2004: HK\$155,347,000 of which HK\$17,280,000 has been proposed as final dividend). This includes the Company's share premium account in the amount of HK\$113,665,000 (2004: HK\$113,665,000) as at 31st December 2005, which may be distributed, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The Company's share premium account may also be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers and purchases from the Group's five largest suppliers accounted for less than 30% of the Group's total sales and total purchases for the year, respectively.

DIRECTORS

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

Executive directors

Mr. Lam Ping Kei (*Chairman*)

Ms. Wong Choi Fung

Ms. Lam Chu Ying

Mr. Law Wai Fai

Mr. Yeung Kwong Lun

Independent non-executive directors

Mr. Kwan Kai Ming (resigned on 1st December 2005)

Mr. Sun Tian Yan

Mr. Deng Xiao Jun

Mr. Qiu Ji Zhi (appointed on 1st December 2005)

In accordance with the Company's articles of association, Mr. Yeung Kwong Lun will retire by rotation and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

In accordance with the Company's articles of association, Mr. Qiu Ji Zhi will retire and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 22 to 23 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Group for a term of two years, which continues thereafter until terminated by either party giving not less than three months' notice in writing to the other party.

The independent non-executive directors have been appointed for a term of two years, except that Mr. Qiu Ji Zhi is not appointed for a specific term.

Save as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the 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.

DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES

As at 31st December 2005, the interests of the directors and chief executives of the Company in the shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register kept by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Long position

Ordinary shares of HK\$0.01 each of the Company

Name of Directors	Number of shares			Percentage of the issued share capital
	Personal interest	Corporate interest	Total	
Mr. Lam Ping Kei	–	702,000,000 (Note 1)	702,000,000	48.75%
Ms. Wong Choi Fung	4,996,000	228,000,000 (Note 2)	232,996,000	16.18%
	<u>4,996,000</u>	<u>930,000,000</u>	<u>934,996,000</u>	<u>64.93%</u>

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DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES *(Continued)*

Long position *(Continued)*

Notes:

1. These ordinary shares are owned by Super Giant Assets Limited ("Super Giant"), a company incorporated in the British Virgin Islands (the "BVI"). The entire issued share capital of Super Giant is beneficially owned by Mr. Lam Ping Kei.
2. These ordinary shares are owned by Fastmath Assets Limited ("Fastmath"), a company incorporated in the BVI. The entire issued share capital of Fastmath is beneficially owned by Ms. Wong Choi Fung.

Save as disclosed above, none of the other directors, chief executives and their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31st December 2005.

SHARE OPTION SCHEME

Particulars of the Company's share option scheme are set out in note 25 to the financial statements.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' interests or short positions in shares" and "Share option scheme" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31st December 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of the relevant interests in the issued share capital of the Company.

Long positions

Ordinary shares of HK\$0.01 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Lam Ping Kei	Beneficial owner	702,000,000	48.75%
Wong Choi Fung	Beneficial owner	232,996,000	16.18%
Webb David Michael	Beneficial owner	72,076,000	5.01%
		<u>1,007,072,000</u>	<u>69.94%</u>

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Other than as disclosed above, the Company has not been notified of any other interests or short position in the issued share capital of the Company as at 31st December 2005.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

No director had interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), during the year and up to the date of this report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PUBLIC FLOAT

Based on the information that is publicity available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required by the Listing Rules.

AUDITORS

KLL Associates CPA Limited ("KLL") had been the auditors of the Company for three years until their practice merged with that of BDO McCabe Lo Limited ("BDO") in 2005. The Board appointed BDO as auditors of the Company immediately following the resignation of KLL on 23rd November 2005. In or about mid-April 2006, in view of some unresolved issues and the need for additional time to complete the audit, the Company found it is not practicable to rely on BDO to commit the reporting deadline as requested by the Company. BDO tendered resignation as auditors of the Company on 19th April 2006. The Company appointed Lo and Kwong C.P.A. Company Limited ("Lo and Kwong") as its auditors on 19th April 2006 immediately following BDO's resignation. Lo and Kwong shall retire and, being eligible, offer themselves for re-appointment. A resolution to this effect will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Lam Ping Kei

Chairman

Hong Kong, 28th April, 2006