

The Directors are pleased to present their first annual report and the audited consolidated financial statements of the Company and its subsidiaries (together the “Group”) for the year ended 31 December 2005.

CORPORATE REORGANISATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 26 January 2005. Pursuant to a group reorganisation scheme 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 7 June 2005.

Details of the group reorganisation are set out in note 1 to the financial statements and are more fully explained in the paragraph headed “Group reorganisation” (the “Group Reorganisation”) in Appendix V to the prospectus of the Company dated 21 March 2006 (the “Prospectus”). The shares of the Company were listed on the Main Board of the Stock Exchange with effect from 30 March 2006.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 29 to the financial statements.

RESULTS

The results of the Group for the year are set out in the consolidated income statement on page 23.

DIVIDENDS

During the year, the Board has resolved not to recommend the payment of any dividend in respect of the year ended 31 December 2005.

TRADING RESULTS

The Group’s consolidated profit for the year amounted to RMB110,513,000.

PAID-IN CAPITAL

Details of the movements in the issued share capital of the Company during the year are set out in note 24 to the financial statements.

RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 25.

At 31 December 2005, the Company’s reserve available for distribution to its shareholders comprises contributed surplus amounted to approximately RMB270,671,000.

PROPERTIES, PLANT AND EQUIPMENT

Details of the movement in property, plant and equipment of the Group during the year are set out in note 12 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's largest customer and five largest customers taken together accounted for 5.8 percent and 23.1 percent of the Group's total turnover for the year.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for 28.6 percent and 42.6 percent of the Group's total purchase for the year.

None of the Directors, their respective associates or, so far as the Directors are aware, any Shareholder who owns more than 5% of the issued share capital of the Company has any interest in any of the other top five customers and suppliers of the Group for the year.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors:

Mr. Sze Siu Hung (<i>Chairman and Managing Director</i>)	(appointed on 1 June 2005)
Mr. Qiu Fengshou (<i>Vice-Chairman</i>)	(appointed on 1 June 2005)
Madam Cai Peilei	(appointed on 1 June 2005)
Mr. Sze Chin Pang	(appointed on 1 June 2005)

Independent non-executive directors:

Professor Zeng Qingfu	(appointed on 1 June 2005)
Professor Zhao Bei	(appointed on 1 June 2005)
Mr. Lui Siu Keung	(appointed on 1 June 2005)

The biographical details of the directors are set out on page 8 to page 11 of this annual report.

Each of the executive directors has entered into a service contract with the Company for a term of two years commencing on 1 June 2005. Each service contract will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive directors has been appointed for a term of two year commencing on 1 June 2005.

Each of the directors is subject to retirement by rotation in accordance with the Company's Articles of Association.

Other than disclosed above, none of the directors has entered or has proposed to enter into any service contract with the Company or any of its subsidiaries which is not expiring or determinable by the employing company within one year without payment of compensation other than statutory compensation.

The Company had received confirmation from each of the independent non-executive directors of their independence and the Company considered all independent non-executive directors to be independent. In accordance with the provisions of the Company's Articles of Association, one-third of the directors of the Company are required to retire from the Board at the forthcoming annual general meeting but, being eligible, will offer themselves for re-election.

Detail of directors' emoluments on a named basis are set out in note 8 to the financial statements on page 37 of this annual report.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2005, the Company had not received any notice of interests to be recorded under Section 352 of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong ("SFO") as the Company had not been listed on the Stock Exchange as at that date.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as disclosed to the financial statements, no contract 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' RIGHTS TO ACQUIRE SHARES

At no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2005, the Company had not received any notice of interests to be recorded under Section 336 of the SFO as the Company had not been listed on the Stock Exchange as at that date.

CONNECTED TRANSACTIONS

Apart from the Group's reorganisation carried out in about June 2005 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 which is detailed in note 1 to the financial statements and more fully explained in the paragraph headed "Group reorganisation" in Appendix V to the prospectus of the Company dated 21 March 2006, during 2005, the Company was not listed and did not have any connected transactions which were subject to the requirements of the Listing Rules.

SHARE OPTION SCHEME

A share option scheme (the “**Share Option Scheme**”) was conditionally adopted by the shareholders’ written resolution of the Company dated 15 March 2006.

Since the Share Option Scheme had only become unconditional upon the listing of the Company’s shares on the Stock Exchange on 30 March 2006, no share options were granted, exercised or cancelled by the Company under the share option scheme during the year and there are no outstanding share options under the Share Option Scheme as at 31 December 2005.

Save as disclosed herein, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of acquisitions of shares in, or debentures of the Company or any other body corporate, and neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or any had exercised any such right.

SUMMARY OF PRINCIPAL TERMS OF THE SHARE OPTION SCHEME

The purpose of the Share Option Scheme is to enable the Company to grant options to employees, senior executive or officer, manager and directors of the Company or any of its subsidiaries and outside third parties who, in the sole discretion of the board of directors of the Company, have contributed or will contribute to the growth and development of the Group.

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall be 80,000,000 Shares, representing 10% of the issued share capital of the Company as at the date of this annual report.

The total number of Shares issued and to be issued upon exercise of options granted and to be granted to each grantee under the Share Option Scheme in any 12-month period shall not exceed 1% of the issued share capital of the Company from time to time.

There is no general requirement that an option must be held for any minimum period before it can be exercised but the board of directors of the Company is empowered to impose its discretion any such minimum period at the time of grant of any particular option. The period during which the options may be exercised will be notified by the Board to each grantee upon grant of each option, provided that it shall commence on a date not earlier than the date of the grant of an option and not be more than ten (10) years from the date of grant of the option. An offer of grant of an option must be accepted being a date not more than fourteen (14) days after the date of grant. The amount payable on acceptance of an option is HK\$1.00.

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Board at its absolute discretion and shall not be less than the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the date of grant; and (iii) the nominal value of the Shares.

MANAGEMENT CONTRACTS

Except for the connected transactions as stated in this directors' report, 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.

DIRECTORS' REMUNERATION

The director's fees, basic salaries and other allowances are disclosed in note 8 to the financial statements.

The contributions to pension schemes for directors and past directors for the financial year are disclosed in note 8 to the financial statements.

There were no compensation paid during the financial year or receivable by directors or past directors for the loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group distinguishing between contractual and other payments.

RETIREMENT BENEFITS SCHEME

The Group's qualifying employees in Hong Kong participate the Mandatory Provident Fund (the "MPF") in Hong Kong. The assets of the MPF are held separately from those of the Group in funds under the control of trustee. The Group and each of the employees make monthly mandatory contributions to the MPF schemes.

The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

SUFFICIENCY OF PUBLIC FLOAT

As at the latest practicable date prior to the issue of this annual report, to the best knowledge of the directors and based on the information publicly available to the Company, there is a sufficient public float as required by the Listing Rules.

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 ended 31 December 2005. The Company did not have any listed securities before its shares were listed on the Stock Exchange on 30 March 2006.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association although there are no restrictions against such rights under company laws in the Cayman Islands.

AUDITORS

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company will be submitted at the forthcoming annual general meeting of the Company.

On behalf of the Board

SZE SIU HUNG

Chairman

27 April 2006