



## Report of the Directors

The Directors present their report together with the audited financial statements of the Company and the Group for the year ended 31 December 2005.

### PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its subsidiaries are set out in Note 17 to the financial statements.

### RESULTS

The Group's results for the year ended 31 December 2005 are set out in the consolidated income statement on page 36 of this Annual Report.

### DIVIDENDS

To cater for the expectation and interest of our shareholders, the Directors are considering to reward shareholders with a certain part of the Company's profits after tax from 2006 by balancing the shareholders' interests and future development needs of the Company.

The Board does not recommend payment of any final dividend for the year ended 31 December 2005 (2004: Nil).

### PROPERTY, PLANT AND EQUIPMENT

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

### SHARE OPTIONS

The Company has conditionally adopted the Share Option Scheme, the principal terms of which are set out in the paragraph headed "Share Option Scheme" in Appendix 4 to the prospectus issued by the Company on 11 November 2003.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

### RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 24 to the financial statements and in the consolidated statement of changes in equity.

### MAJOR CUSTOMERS AND SUPPLIERS

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

	2005 %	2004 %
Percentage of purchases:		
From the largest supplier	21	17
From the five largest suppliers	66	70
Percentage of turnover:		
From the largest customer	5	5
From the five largest customers	21	24

## Report of the Directors

### DIRECTORS

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

#### Executive Directors

Mr. Zhong Houtai, *Chairman*

Mr. Zhong Houyao

Mr. Chong Hoi Fung

Mr. Sun Daquan

Mr. Chai Chung Wai

#### Independent Non Executive Directors

Mr. Pei Renjiu

Mr. Li Kai Ming

Mr. Cheung Chuen

Pursuant to the Company's Articles of Association, Mr. Sun Daquan and Mr. Pei Renjiu shall retire from office as directors at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

### DIRECTORS' SERVICE CONTRACT

Each of the executive Directors has entered into a service contract with the Company for an initial fixed term of 3 years commencing from 24 November 2003, and will continue thereafter until terminated by not less than 3 months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term. Each of these executive Directors is entitled to the respective basic salary set out below (subject to an annual increment after the first anniversary of the commencement date of the respective service contracts at the discretion of the Directors of not more than 10% of the annual salary immediately prior to such increase). In addition, for the financial year ending 31 December 2005 and each of the financial years thereafter during the initial term, each of the executive Directors is also entitled to a discretionary bonus provided that the aggregate amount of the bonuses payable to all the executive Directors in respect of any financial year of the Company shall not exceed 5% of the audited net profit of the Company (or as the case may be, combined or, consolidated audited net profit of the Company and its subsidiaries (if any)) (after taxation but before extraordinary and exceptional items and payment of such bonuses) in respect of that financial year of the Company. An executive Director shall not vote on any resolution of the Directors regarding the amount of the discretionary bonus payable to him. The current basic annual salaries of the executive Directors are as follows:

Name	2005 Salary
Mr. Zhong Houtai	HK\$539,000
Mr. Zhong Houyao	HK\$60,000
Mr. Chong Hoi Fung	HK\$60,000
Mr. Sun Daquan	HK\$60,000
Mr. Chai Chung Wai	HK\$650,000

Save as aforesaid, none of the Directors has or is proposed to have a service contract with the Company or any of its subsidiaries (other than contracts expiring or determinable by the Company within one year without the payment of compensation (other than statutory compensation)).

The independent non-executive directors are not appointed for a specific term, but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the bye-laws of the Company.

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 other than statutory compensation.

## Report of the Directors

### DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 12 to 17 of this Annual Report.

### DISCLOSURE OF INTERESTS

#### Directors' Interest in Share Capital

As at 31 December 2005, the interests of the directors in the shares of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI")) as recorded in the register maintained by the Company pursuant to Section 29 of the SDI were as follows:

Director	No. of shares Held (Corporate interest (Note))	Percentage of Interest
Zhong Houtai	211,720,000	52.93

Notes:

1. The shares are registered under the name of Elite Achieve Limited.
2. The entire issued share capital of Elite Achieve Limited is legally and beneficially owned by Mr. Zhong Houtai.
3. Under the SFO, Mr. Zhong Houtai is deemed to be interested in all the shares registered in the name of Elite Achieve Limited.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the details as disclosed under the section headed "Directors' Interests in Share Capital" 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 children under 18 years of age, 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, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

### DIRECTORS' INTERESTS IN CONTRACTS

No director had a beneficial interest, either direct or indirect, in any significant contract to which the Company, its holding company or any of its subsidiaries was a party at the balance sheet date or at any time during the year ended 31 December 2005.

### SHARE OPTION SCHEME

The share option scheme is effective for a term of ten years from 3 November 2003. No option has been granted or agreed to be granted since the adoption of the share option scheme.

### SUBSTANTIAL SHAREHOLDERS

As at 31 December 2005, persons interested in 5% or more of the issued share capital of the Company as recorded in the register required to be kept by the Company pursuant to Section 16(1) of the Securities (Disclosure Of Interest) Ordinance were as follows:

Shareholder	Number of shares	Percentage hold
Elite Achieve Limited	211,720,000	52.93% (Note 1)
Zhong Houtai	211,720,000	52.93% (Note 1)

*Note 1:* The entire issued share capital of Elite Achieve Limited is legally and beneficially owned by Mr. Zhong Houtai.

Save as disclosed above, as at 31 December 2005, the Company is not aware of any person having interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register kept by the Company under Part XV of section 336 of the SFO.

## Report of the Directors

### 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 is existing during the year ended 31 December 2005.

### CONNECTED AND RELATED PARTY TRANSACTIONS

During the year ended 31 December 2005, the Group had no transactions with related or connected parties.

### RETIREMENT SCHEME

The Group provides retirement benefits to its staff. The retirement contributions paid by the Group are based on certain percentage of the relevant portion of the payroll of all qualifying employees in accordance with the relevant regulations in the PRC and are charged to the income statement as incurred. The contribution paid for the year ended 31 December 2005 was approximately HK\$737,000 (2004: HK\$680,000). The Group has made adequate provision in the financial statements in respect of the benefit schemes. In addition, the Group also provides housing and food allowance to this staff.

In Hong Kong, the Group has set up a retirement scheme in accordance with the mandatory provident fund requirements prescribed by the Mandatory Provident Fund Schemes Ordinance, Chapter 485 of the Laws of Hong Kong. All Hong Kong based employees and the Group are required to contribute 5% of their respective monthly wages (up to a maximum contribution of HK\$1,000 by each of the employee and the Group) on a monthly basis to the fund.

### COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Code on Corporate Governance Practices ("Code of Practices") contained in Appendix 14 to the Listing Rules came into effect on 1 January 2005. After a thorough study, the Company adopted the Code of Practices as its code of conduct for corporate governance, the particulars of which are set out in section "Corporate Governance Report" in pages 26 to 33 of this Annual Report.

### INDEPENDENT NON EXECUTIVE DIRECTOR

The Group has appointed Mr. Cheung Chuen as the third non-executive director on 14 September 2004 pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules. Mr. Cheung has the professional accounting qualification and he has fulfilled the requirement as set out in Appendix 16-34 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

The Board considered that all non-executive directors to be independent in character and judgement. None of the non-executive directors have relationships or circumstances that are likely to effect their professional judgement and each non-executive director has provided confirmation of his independence to the Group. Particulars of the independent non-executive directors are set out in the 2005 Annual Report of the Company.

### AUDIT COMMITTEE

The Annual Report of the Group for the year ended 31 December 2005 has been reviewed by the Audit Committee. Details on the composition and terms of reference of the Audit Committee are set out in the "Corporate Governance Report" on pages 26 to 33.

### PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Company's directors.

### AUDITORS

CCIF CPA Limited retired and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

**Zhong Houtai**

*Chairman*

20 April 2006