



## DIRECTORS' REPORT

The Directors present the annual report and the audited accounts of the Group for the year ended 31 December 2005.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 7 to the accounts.

### RESULTS AND APPROPRIATIONS

Details of the Group's result for the year ended 31 December 2005 are set out in the consolidated income statement on page 34.

No interim and final dividend are recommended by the Directors (2004: Nil).

### PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company during the year are set out in note 5 to the accounts.

### SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 11 to the accounts.

### RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 12 to the accounts and the consolidated statement of changes in equity, respectively.

### DIRECTORS

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

#### Executive directors

Mr. Wong Ming Bun  
Mr. Wang Ming Fan  
Mr. Li Qing Long

### Independent non-executive directors

Mr. Goh Gen Cheung  
Mr. Leung Wai Man, Roger  
Mr. Zhou Xiao Xiong

In accordance with Articles 86(3) of the Articles of Association of the Company, all directors will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Messrs. Wong Ming Bun, Wang Ming Fan and Li Qing Long entered into service contract with Company for an initial term of three (3) years. All of the above service contract commenced from 9 December 2005, and subject to re-election by the Shareholders at a general meetings of the Company, will continue thereafter until terminated by not less than 3 months' notice in writing served by either party on the other or in accordance with other terms of the service contracts.

Each of the independent non-executive directors entered into services agreements with Company for a term of two years and either the Company or the independent non-executive director may terminate the appointment by giving the other a prior notice of one month in writing before its expiration.

### DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of directors' remuneration and those of the five highest paid individuals in the Group are set out in note 18 to the accounts, respectively.

### DIRECTORS' INTEREST IN SECURITIES

At 31 December 2005, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), to be entered in the register referred to therein, or will be required pursuant to the Model Code for Securities Transactions by Directors or Listed Companies in the Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

#### Long positions

(i) *Beneficial interest in the Shares*

Name of Director	Capacity/ Nature of interest	Number of Shares (Note 1)	Percentage of issued Shares
Mr. Wong Ming Bun	Interest in a controlled corporation (Note 2)	300,000,000 (L)	75%

## DIRECTORS' REPORT

Notes:

1. The letter "L" denotes a long position in the Shares.
2. By virtue of the SFO, Mr. Wong Ming Bun is deemed to be interested in all the 300,000,000 Shares held by Creative China in which 52.45% of its issued share capital is owned by Mr. Wong Ming Bun.

(ii) *Beneficial interests in the shares of Creative China, an associated corporation (as defined in the SFO) of the Company*

Name of Director	Class and number of shares held in associated corporation	Percentage of issued shares
Mr. Wong Ming Bun	5,245 ordinary shares	52.45%
Mr. Wang Ming Fan	1,593 ordinary shares	15.93%
Mr. Li Qing Long	731 ordinary shares	7.31%

Save as disclosed above, none of the Directors or chief executive of the Company aware of any other Director or chief executive of the Company who has any interests or short positions in any shares and underlying shares in, and debentures of, the Company or any associated corporation as at 31 December 2005.

### DIRECTORS' SERVICE CONTRACT

Each of the Directors has entered into a service contract with the Company for an initial term of 36 months commencing on 9 December 2005. These contracts are only determinable by the Company upon occurrence of certain conditions as set out in these contracts or upon expiry of these contracts.

Other than disclosed above, none of the Directors of the Company 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.

The Board confirmed that the Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that they are independent under Rule 3.13 of the Listing Rules.

### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance in relation to the Group's business, to which the Company or its subsidiaries was a party and in which a director 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 OR DEBENTURE

At no time during the year was the Company, or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire by means of acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2005, the register of substantial shareholders maintained by the Company pursuant to Section of the SFO shows that other than the interests disclosed in the section headed "Directors' interest in securities" above, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

### Long positions – Ordinary shares

Name of Director	Capacity/ Nature of interest	Number of Shares (Note 1)	Percentage of issued Shares
Creative China (Note 2)	Interest in a controlled corporation (Note 2)	300,000,000 (L)	75%

Notes:

- The letter "L" denotes a long position in the Shares.
- Creative China is owned as to 52.45% by Mr. Wong Ming Bun, as to 15.93% by Mr. Wang Ming Fan, as to 14.26% by Mr. Wang Ming Qing, as to 10.05% by Mr. Wang Ming You and as to 7.31% by Mr. Li Qing Long.

Save for the disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2005.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers accounted for 29.4% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 10.1% of the Group's total sales. The aggregate purchases during the year attributable to the Group's five largest suppliers accounted for 44.1% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 12.2% of the Group's total purchases.

None of the directors, their associates or any shareholders of the Company which, to the knowledge of the directors, owned more than 5% of the Company's issued share capital, had any interest in any of the five largest customers or suppliers of the Group.

## DIRECTORS' REPORT

### EMPLOYEE POLICY AND SALARY POLICY

The Directors considered the quality of employees as the most critical factor in maintaining the Group's business growth and enhancing our profitability. The Group's salary policy bases on the performance and working experience of individual employee, and the current salary level of the market. As at 31 December 2005, the Group has a total of 373 employees and the total remuneration paid to the employees during the year is RMB27.1 million. Besides, the emolument payable to the directors of the Company, is determined with reference to the duties and responsibilities of the directors of the Company, and the market rate for such positions.

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

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

### 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 existing shareholders.

### AUDITORS

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. PricewaterhouseCoopers as auditors of the Company. The Board confirms that there has been no change in auditors of the Company since 9 March 2005, date of incorporation.

On behalf of the Board

**Wong Ming Bun**  
*CHAIRMAN*

Hong Kong  
3 April 2006