

The directors of the Company (the “Directors”) submit their report together with the audited financial statements for the year ended 31 December 2005 (the “Year”).

PRINCIPAL ACTIVITIES

The principal activities of the Company and its subsidiaries (the “Group”) are investment holding. During the Year, the Group has been engaged principally in the investments in listed and unlisted companies.

RESULTS AND APPROPRIATIONS

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

The directors do not recommend the payment of a final dividend.

CAPITAL STRUCTURE AND SHARE CAPITAL

Details of the movements during the Year in the share capital of the Company are set out in note 17 to the financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the Year are set out in note 18 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company are set out in note 11 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the Year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s shares during the Year.

DIRECTORS

Dr. PANG Shuen Wai, Nichols

Mr. KITCHELL, Osman Bin

(appointed as executive director on 10 January 2005)

Mr. WONG Man Hon, Frederick

(appointed as executive director on 24 January 2006)

Ms. AU Shuk Yee, Sue

(resigned as executive director on 17 January 2006)

Mr. QI Qing

(resigned as non-executive director on 9 January 2005)

Mr. LAM Ping Cheung[#]

Mr. CHUNG Kong Fei, Stephen[#]

Mr. TSANG Wing Ki[#]

Mr. WONG Ying Seung, Asiong[#]

(resigned as independent non-executive director on 28 December 2005)

[#] *Independent non-executive directors*

In accordance with Article 157 of the Company’s Articles of Association, Mr. LAM Ping Cheung and Mr. TSANG Wing Ki will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. In accordance with Article 123 of the Company’s Articles of Association, Mr. KITCHELL, Osman Bin and Mr. WONG Man Hon, Frederick will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

On 5 November 2004, the Company and CU Investment Management Limited ("CUIM") entered into an investment management agreement ("Investment Management Agreement") with revision in the investment management fee which was adjusted to HK\$50,000 per month, instead of referring to the net asset value. The Investment Management Agreement expired on 31 December 2005 and a one-year extension was agreed with the terms and conditions remain unchanged.

Dr. PANG Shuen Wai, Nichols, an executive director of the Company, is also a director of CUIM.

Apart from the above, no other contracts of significance in relation to the Company's business to which the Company or 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 IN EQUITY OR DEBT SECURITIES

(I) ORDINARY SHARES OF HK\$0.10 EACH IN THE COMPANY ("SHARES")

As at 31 December 2005, no interests of the directors of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as notified to the Company. Mr. WONG Man Hon, Frederick ("Mr. Wong"), who was appointed as an executive director of the Company on 24 January 2006, reported that he held 86,910,000 ordinary shares in the Company. On 8 March 2006, Mr. Wong notified the Company that he had increased his holding in the Company to 87,590,000 ordinary shares, representing approximately 8.96% of the Company's issued shares.

As at 31 December 2005, no short positions were recorded in the Register of Directors' and Chief Executives' Interests and Short Positions required to be kept under section 352 of the SFO or so notified to the Company.

(II) OPTIONS

Under the option scheme which was approved by the shareholders of the Company on 2 May 2003 (the "Option Scheme"), the directors of the Company may grant Options to those Participants including (i) any employee (whether full time or part time and including executive director) of any member(s) of the Group or any entity in which the Group holds any equity interest ("Invested Entity");

(ii) any non-executive director (including independent non-executive directors) of any member of the Group or any Invested Entity; (iii) any consultant, adviser or agent (legal, financial or professional) engaged by any member of the Group or any Invested Entity, who, under the terms of relevant engagement with the Group or the relevant Invested Entity, is eligible to participate in a share option scheme of the Company; and (iv) any vendor, supplier of goods or services or customer of or to any member of the Group or Invested Entity who, under the terms of relevant agreement with the Group or the relevant Invested Entity, is eligible to participate in a share option scheme of the Company.

For the purpose of (i) to enable the Group to recruit and retain high calibre employees and attract human resources that are valuable to the Group or any Invested Entity; (ii) to recognize the significant contributions of the participants to the growth of the Group or any Invested Entity by rewarding them with opportunities to obtain ownership interest in the Company; and (iii) to further motivate and give incentives to these persons to continue to contribute to the long term success and prosperity of the Group or any Invested Entity.

During the Year under review, the Company granted options convertible into a total of 39,900,000 ordinary shares (representing approximately 9.98% of the issued share capital of the Company of 399,998,005 ordinary shares as at 1 April 2005) to 11 allottees who opted to exercise their options subsequently.

At no time during the Year was the Company or 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, or debentures of, the Company or any other body corporate.

None of the directors of the Company (including their spouses and children under 18 years of age) had any interests in, or had been granted, or exercised any rights to subscribe for, shares in the Company and its associated corporations within the meaning of the SFO.

As the Company had utilized most of its options under the Option Scheme, the Directors proposed to refresh the 10% general limit on the grant of options under all option schemes (the "Refreshment Proposal") on 7 December 2005 and the Proposal was subsequently approved by shareholders in an extraordinary general meeting held on 26 January 2006.

Subject to the requirements of the prevailing Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the subscription price shall be such price determined by the board of directors at its absolute discretion. The maximum entitlement of each Participant under the Scheme is equivalent to the maximum limit permitted under the Scheme is 72,729,116 shares and represent 10% of the issued share capital of the Company on 26 January 2006, being the date of approving the Refreshment Proposal.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year was the Company or its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate. The Company did not grant any rights to subscribe for the shares in the Company to any directors or chief executive of the Company or their respective spouse or children under the age of 18 during the Year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2005, the register maintained by the Company pursuant to section 336 of the SFO recorded interests (as defined in the SFO) in the Company by the following:

Name of substantial shareholder	Capacity and nature of interest	Number of shares interested	% of issued share capital
Radford Capital Investment Limited (<i>Note 1</i>)	Investor	103,930,000	14.29
Wong Man Hon, Frederick (<i>Note 2</i>)	Investor	86,910,000	11.95
Heritage International Holdings Limited (<i>Note 3</i>)	Investor	68,000,000	9.35

Note 1: These shares were held by Winning Horsee Limited which is wholly and beneficially owned by Radford Capital Investment Limited.

Note 2: Wong Man Hon, Frederick was appointed as an executive director of the Company on 24 January 2006.

Note 3: These shares were held by Dollar Group Limited, which is a wholly-owned subsidiary of Coupeville Limited, a company wholly-owned by Heritage International Holdings Limited.

All the interests stated above represent long positions. As at 31 December 2005, no short positions were recorded in the register of interests in shares and short positions of substantial shareholders required to be kept under section 336 of the SFO.

On 1 December 2005, the Company entered into a placing agreement with Chung Nam Securities Limited ("CNSL") to place a total of 250,000,000 ordinary shares at HK\$0.14 each (the "Placing Agreement"). On 27 February 2006, a total of 250,000,000 ordinary shares issued under the Placing Agreement were duly allotted. As a result, the percentage of issued share capital held by the substantial shareholders (as defined in the SFO) has been changed and on 8 March 2006, Mr. Wong Man Hon, Frederick increased his holding in the Company by 680,000 ordinary shares of HK\$0.1 each.

The register has been updated as follows:

Name of substantial shareholder	Capacity and nature of interest	Number of shares interested	% of issued share capital
Radford Capital Investment Limited (<i>Note 1</i>)	Investor	103,930,000	10.63
Wong Man Hon, Frederick (<i>Note 2</i>)	Investor	87,590,000	8.96
Heritage International Holdings Limited (<i>Note 3</i>)	Investor	68,000,000	6.96

Note 1: These shares were held by Winning Horsee Limited which is wholly and beneficially owned by Radford Capital Investment Limited.

Note 2: Wong Man Hon, Frederick was appointed as an executive director of the Company on 24 January 2006.

Note 3: These shares were held by Dollar Group Limited, which is a wholly-owned subsidiary of Coupeville Limited, a company wholly-owned by Heritage International Holdings Limited.

RENEWAL OF INVESTMENT MANAGEMENT AGREEMENT

On 5 November 2004, the Company and CU Investment Management Limited (“CUIM”) entered into a new investment management agreement (“New Investment Management Agreement”) with revision in the investment management fee which was adjusted to HK\$50,000 per month, instead of referring to the net asset value. The New Investment Management Agreement expired on 31 December 2005 and was renewed for another year with no changes in terms and conditions.

Dr. PANG Shuen Wai Nichols, an executive director of the Company, is also a director of CUIM.

CHANGE OF CUSTODIAN

Liu Chong Hing Bank was appointed as the custodian of the Company (the “Custodian”) in relation to the investments which the Company may from time to time deposit with the Custodian.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company had not redeemed any of its ordinary shares during the Year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s ordinary shares during the Year.

PUBLIC FLOAT

The Company confirmed that a minimum of 25 per cent of total issued share capital of the Company is in public hands based on the information currently available to the Board and is in compliance with Rule 8.08 of the Listing Rules.

POST BALANCE SHEET EVENT

On 1 December 2005, the Company entered into a placing agreement with CNSL to place 250,000,000 ordinary shares of HK\$0.10 each (the “Placing Shares”) at HK\$0.14 per share, raising net proceeds of approximately HK\$34.2 million for working capital, investment and repayment of margin loans. The Placing Shares of 250,000,000 ordinary shares of HK\$0.10 each were subsequently allotted and issued to not less than six placees on 27 February 2006.

RETIREMENT SCHEME

The Group provides a defined contribution retirement scheme under the Mandatory Provident Fund Scheme (the “Scheme”) in Hong Kong to all staff. Under the Scheme, employer and employees are each required to make contributions to the Scheme at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$20,000 and contributions to the Scheme vested immediately.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has complied with the requirements for director’s securities transactions stated in the Model Code for Securities Transactions (the “Model Code”) as set out in Appendix 10 of the Listing Rules. All Directors have confirmed that they have complied with the required standards as set out in the Model Code for the Year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company’s articles of association although there are no restrictions against such rights under the laws in the Cayman Islands.



Report of the Directors

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for the Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of audit. It also reviews the effectiveness of the external audit and of internal controls and risk evaluation. The Audit Committee of the Company comprises three independent non-executive directors, namely Messrs. LAM Ping Cheung, CHUNG Kong Fei, Stephen and TSANG Wing Ki. Three meetings were held during the Year.

AUDITORS

During the Year, the auditors, Messrs. PricewaterhouseCoopers retired and Messrs. Moores Rowland Mazars were appointed auditors of the Group.

The accounts have been audited by Moores Rowland Mazars who are due to retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

KITCHELL, Osman Bin

Chief Executive Officer and Executive Director

Hong Kong, 10 April 2006