



The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the businesses of entertainment media, property investment, financial services and telecommunication.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 6 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2005 are set out in the consolidated income statement on page 27.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in note 27 to the financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2005, the Company's reserves available for distribution, calculated in accordance with the provision of the Laws of Bermuda, amounted to approximately HK\$22,516,000.

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTIES

The investment properties of the Group are set out in note 15 to the financial statements.

Investment properties were valued at their open market value at 31 December 2005 by Vigers Appraisal & Consulting Limited, an independent professional valuer. This valuation gave rise to fair value gains of approximately HK\$7,080,000 which has been credited to the consolidated income statement.

SHARE CAPITAL

Details of movements in the Company's issued share capital and options and during the year and outstanding as at 31 December 2005 are set out in note 26 to the financial statements.



DIRECTORS

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

Executive Directors:

Michele Matsuda

Leung To Kwong, Valiant

Cheung Chi Fai, Frank

Daijiro Nishihama (appointed on 16 June 2005 and resigned on 21 March 2006)

Independent Non-Executive Directors:

Zhou Ji, Jason

Keijiro Hasegawa

Chen Tien-yiu, Theodore

Wong Tak Shing (appointed on 1 April 2006)

In accordance with Clauses 86(2) and 87(1) of the Company's Bye-Laws, Messrs. Leung To Kwong, Valiant, Cheung Chi Fai, Frank and Wong Tak Shing will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

None of the directors, including those 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.

The term of office for each Independent Non-Executive Director is contracted for 2 years.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of directors and senior management are as shown below:

Executive Directors

Michele Matsuda, aged 42, was appointed as Chairman, Chief Executive Officer and Executive Managing Director on 14 March 2003. He has more than 15 years experience in the technology sector and has expertise in technical solutions, technical management and business operational management. Mr. Matsuda has been appointed as a director of Technology Administration Division of Nomura Securities International, Inc from 1986 to 1996. He is one of the founders and a director of Trans Pacific Telecom Group, which has various telecommunication licences in UK, USA, Japan and Hong Kong.

Leung To Kwong, Valiant, aged 43, was appointed as Executive Director on 14 March 2003. Mr. Leung was graduated from the City University of New York with a Bachelor's degree in Electrical Engineering in 1986 and a master degree in business administration in 1988. He has extensive experience in telecommunication industry for more than 14 years. Mr. Leung has been appointed as senior management positions in various international companies, ranging from international network service provider, equipment vendor and Telecom Type 1 Carrier.



BIOGRAPHICAL DETAILS OF DIRECTORS *(continued)*

Executive Directors *(continued)*

Cheung Chi Fai, Frank, aged 43, joined the Board on 25 March 2004. Mr. Cheung holds an MBA degree from University of Technology, Sydney and is a qualified accountant and member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants with a lot of experience in corporate finance exercises. He is also a veteran in the telecommunication value added services industry and was a director of New Media Corporation, a leader in the international VAS industry and involved in telecommunication's VAS business for more than 10 years.

Independent Non-Executive Directors

Zhou Ji, Jason, aged 42, was appointed as Independent Non-Executive Director on 16 May 2002. Mr. Zhou studied at the Medical School of Beijing University for the period from 1982 to 1985. He holds a Bachelor's degree in Electrical Engineering from Washington State University and a Master's Degree in Biomedical Engineering from Drexel University, Philadelphia, USA. In addition to Mr. Zhou's expertise on electrical and biomedical engineering, he also has extensive experience in finance and assets management field since 1994. Mr. Zhou has acted as senior management of various finance companies in USA, Hong Kong and the PRC. He now acts as the General Manager of the Investment Banking Division of China Galaxy Securities Company in Beijing, the PRC.

Keiji Hasegawa, aged 62, was appointed as Independent Non-Executive Director on 1 September 2004. Mr. Hasegawa holds a master degree in economics from Aoyamagakuin University and is an experienced marketing consultant and computer network engineer. He has more than 21 years of experience in the marketing and computer network building areas. Mr. Hasegawa is the President and founder of Xor Corporation, a company incorporated in Tokyo, Japan.

Chen Tien-yiu, Theodore, aged 59, was appointed as Independent Non-Executive Director on 24 September 2004. Professor Chen holds a master degree in business administration from The University of British Columbia and is an experienced and qualified accountant. He is a Professor and the Head of the Department of Accounting of Hong Kong Shue Yan College. He is also the President of Certified Management Accountants Society of British Columbia, Canada, Hong Kong Branch. Professor Chen has over 15 years of experience in teaching and research in the academic field as well as over 20 years in management of various significant listed companies and government departments in Canada.

Wong Tak Shing, aged 43, was appointed as Independent Non-Executive Director on 1 April 2006. Mr. Wong holds a Bachelor's degree in Social Science in Business Economics and Accounting from University of Southampton, United Kingdom in 1985 and a Postgraduate Diploma in Financial Management from University of New England, Australia in 1988. He is an associate member of the CPA Australia and the Hong Kong Institute of Certified Public Accountants. He has over 20 years of experience in finance, accounting, corporate finance, personnel and administration for operations in Hong Kong, the PRC and Taiwan, including 11 years of experience in publication and television industry in Hong Kong. Mr. Wong is an Executive Director, the Deputy Chairman, the Authorised Representative, the Qualified Accountant and the Company Secretary of IA International Holdings Limited which is listed on The Stock Exchange of Hong Kong Limited.



SHARE OPTION SCHEME

The Company adopted its share option scheme on 16 May 2002 (“the Option Scheme”), to adopt the changes in the Chapter 17 of the Listing Rules, under which the Company may grant options to any Executive or Non-Executive Directors, any executives and employees and those persons who have contributed or will contribute to the Group as incentive schemes and rewards.

Details of the share options outstanding as at 31 December 2005 which have been granted under the Option Scheme are as follows:

	Number of share options (in thousands)					Outstanding at 31 December 2005 '000	Exercise price* HK\$
	Outstanding at 1 January 2005 '000	Granted during the year '000	Exercised during the year '000	Lapsed during the year '000	Consolidation during the year* '000		
<i>Directors:</i>							
Michele Matsuda	200,000	-	(200,000)	-	-	-	2.00
	-	200,000	-	-	(198,000)	2,000	5.78
Leung To Kwong, Valiant	11,800	-	-	-	(11,682)	118	2.00
	10,200	-	-	-	(10,098)	102	3.46
Cheung Chi Fai, Frank	12,000	-	(12,000)	-	-	-	2.20
	10,000	-	-	-	(9,900)	100	3.46
Daijiro Nishihama**	-	30,000	-	-	(29,700)	300	6.50
	244,000	230,000	(212,000)	-	(259,380)	2,620	
<i>Employees:</i>							
Group (1)	16,000	-	(6,000)	-	(9,900)	100	2.00
Group (2)	26,450	-	(25,700)	(750)	-	-	2.20
Group (3)	1,000	-	-	(1,000)	-	-	3.62
Group (4)	4,250	-	(4,250)	-	-	-	3.46
Group (5)	-	4,000	-	-	(3,960)	40	6.90
Group (6)	-	5,500	-	(1,500)	(3,960)	40	6.50
Group (7)	-	750	-	(750)	-	-	5.50
Consultant	-	2,000	-	-	(1,980)	20	6.90
	47,700	12,250	(35,950)	(4,000)	(19,800)	200	
	291,700	242,250	(247,950)	(4,000)	(279,180)	2,820	

* Share consolidation of every 100 shares of HK\$0.01 each to 1 share of HK\$1.00 each (“Stock Consolidation”) passed at the special general meeting of the Company on 12 December 2005. Exercise prices were adjusted accordingly.

** The options were granted to Mr. Daijiro Nishihama when he was a consultant to the Company and Mr. Nishihama was appointed as director of the Company on 16 June 2005 and resigned on 21 March 2006.



SHARE OPTIONS SCHEME *(continued)*

Particulars of the Company's share option scheme are set out in note 29 to the financial statements. The average closing price before Stock Consolidation of the Company's shares immediately before the date on which the share options were exercised was HK\$0.059.

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' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

At 31 December 2005, the interests and short positions of the directors and chief executive of the Company and their associates in the shares and underlying shares of the Company as recorded in the register to be kept under Section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

(1) Ordinary shares of HK\$1.00 each of the Company

Name of director	Capacity	Number of shares	Percentage of the issued ordinary share capital of the Company
Michele Matsuda	Beneficial owner & held by controlled corporation <i>(note 1)</i>	8,057,000	10.47%
Leung To Kwong, Valiant	Beneficial owner <i>(note 2)</i>	55,000	0.07%
Cheung Chi Fai, Frank	Beneficial owner <i>(note 3)</i>	125,000	0.16%



DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES *(continued)*

(2) Share options

Name of director	Capacity	Number of options held	Number of underlying ordinary share of HK\$1.00 each
Michele Matsuda	Beneficial owner <i>(note 1)</i>	2,000,000	2,000,000
Leung To Kwong, Valiant	Beneficial owner <i>(note 2)</i>	220,000	220,000
Cheung Chi Fai, Frank	Beneficial owner <i>(note 3)</i>	100,000	100,000
Daijiro Nishihama	Beneficial owner <i>(note 4)</i>	300,000	300,000

Notes:

- (1) Michele Matsuda held 1,300 shares of the Company in his own name and held 8,055,700 shares of the Company through e-Compact Limited, a company wholly owned by Anglo Japan Enterprises Limited and beneficially owned by him. Mr. Matsuda also held 2,000,000 options in his own name, which can be converted into 2,000,000 shares of the Company. Mr. Matsuda disposed 300 ordinary shares of the Company to e-Compact Limited in March 2006.
- (2) Leung To Kwong, Valiant held 55,000 shares of the Company in his own name and 220,000 options, which can be converted into 220,000 shares of the Company. Mr. Leung exercised 118,000 options in March 2006.
- (3) Cheung Chi Fai, Frank held 125,000 ordinary shares of the Company in his own name and 100,000 options, which can be converted into 100,000 ordinary shares of the Company.
- (4) Daijiro Nishihama held 300,000 options, which can be converted into 300,000 ordinary shares of the Company. Mr. Nishihama resigned as director of the company on 21 March 2006.

Certain Executive Directors of the Company have been granted share options under the Company's share option scheme (details are set out under the section of Share Option Scheme above). These constitute interests in underlying shares of the Company under the SFO.

Save as disclosed above, as at 31 December 2005, no interests and short position in the shares or underlying shares were held or deemed or taken to be held under Part XV of the SFO by any director or chief executive of the Company or any of their respective associates which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein.



DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES *(continued)*

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 the acquisition of shares in, or debentures of, the Company or any other body corporate.

CONNECTED TRANSACTION

Significant related party transactions entered into by the Group during the year ended 31 December 2005, which do not constitute connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, are disclosed in notes 30 and 31 to the financial statements. In August 2005, the Group has disposed 2 indirect subsidiaries, Alion Development Limited and Unique Profit Development Limited to the shareholder of a joint venture company of the Group, i.e. Wansford Group Limited and acquired 40% equity interest of Mansion China Company Limited from Wansford Group Limited which has been approved by the shareholders of the Company on a special general meeting.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interest disclosed above in respect of director and chief executive, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long Positions

(a) Ordinary shares of HK\$1.00 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares	Percentage of the issued ordinary share capital of the Company
T&C Capital Inc.	Beneficial owner <i>(note 1)</i>	9,000,000	11.70%
Leung Kin Cheung, Patrick	Beneficial owner & held by controlled corporation <i>(note 2)</i>	8,479,066	11.02%
Michele Matsuda	Beneficial owner & held by controlled corporation <i>(note 3)</i>	8,057,000	10.47%
Freparnetworks Inc.	Beneficial owner <i>(note 4)</i>	4,900,000	6.37%
Yasuko-No-Denwa, Inc.	Beneficial owner <i>(note 5)</i>	4,287,500	5.57%
Quants Inc.	Beneficial owner <i>(note 6)</i>	3,909,000	5.08%



SUBSTANTIAL SHAREHOLDERS *(continued)*

Long Positions *(continued)*

(b) Share options

Name of shareholder	Capacity	Number of option	Number of underlying ordinary shares
Michele Matsuda	Beneficial owner <i>(note 3)</i>	2,000,000	2,000,000

(c) Convertible preference shares of HK\$0.01 each of the Company

Name of shareholder	Capacity	Number of convertible preference shares	Percentage of the issued convertible preference shares
Leung Kin Cheung, Patrick	Held by controlled corporation <i>(note 2)</i>	500,000,000	38.46%
Quants Inc.	Beneficial owner <i>(note 6)</i>	800,000,000	61.54%

Notes:

1. T&C Capital Inc. ("T&C"), beneficially owned by T&C Holding Inc., has converted all its Convertible Preference Shares ("CPS") into ordinary shares of the Company during the year. As a result, T&C held 9,000,000 ordinary shares of the Company.
2. Mr. Leung held 124,700 shares of the Company in his own name and also held 8,354,366 shares and 500,000,000 CPS of the Company through Station Investments Limited ("Station"), a company beneficially owned by him. During January and February 2006, Station has converted all its CPS into ordinary shares of the Company and has transferred 3,300,000 shares to a third party. At the date of this annual report, Mr. Leung held 124,700 shares of the Company in his own name and 10,054,366 shares through Station.
3. Mr. Matsuda held 1,300 shares of the Company in his own name and 8,055,700 ordinary shares of the Company through e-Compact Limited, a company wholly owned by Anglo Japan Enterprises Limited and beneficially owned by him and 2,000,000 options in his own name. He has disposed of 300 ordinary shares of the Company to e-Compact Limited in March 2006.
4. The Group had acquired Drive Limited, a company incorporated in Japan, from Freparnetwork Inc. ("Frepar") and settled the purchase consideration by the issuance of 4,900,000 shares (after Stock Consolidation) of the Company.
5. Yasuko-No-Denwa, Inc. ("Yasuko-No-Denwa") had disposed of all shares of the Company to Quants Inc. ("Quants") in March 2006.
6. Quants acquired 4,287,500 shares of the Company from Yasuko-No-Denwa in March 2006. Quants also acquired 800,000,000 CPS from Station and converted the same into ordinary shares in March 2006. Quants further acquired more Company's share and at the date of this annual report, Quants held 19,522,500 ordinary shares of the Company.



MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases

- the largest supplier 27%
- five largest suppliers combined 46%

Sales

- the largest customer 50%
- five largest customers combined 78%

None of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

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

The Company has not redeemed any of its securities during the year under review. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities during the year under review.

CORPORATE GOVERNANCE

A report on the principal corporate governance practice adopted by the Company is set out in pages 12 to 16 of the annual report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-Laws and the laws in Bermuda.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

There is no information required to be disclosed pursuant to the Listing Rules.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Details of significant events after balance sheet date are set out in note 40 to the accounts.

AUDITORS

Messrs. PricewaterhouseCoopers acted as auditors of the Company for financial year 2003 and Messrs. Deloitte Touche Tohmatsu acted as auditors of the Company for financial year 2004 and retired in 2005. In 2005, Horwath Hong Kong CPA Limited was appointed as auditors of the Company.

A resolution will be submitted to the annual general meeting to re-appoint the auditors, Horwath Hong Kong CPA Limited as auditors of the Company.

On behalf of the Board

Michele Matsuda
Chairman

Hong Kong, 18 April 2006