

The Directors present to shareholders this annual report and audited financial statements for the financial year ended December 31, 2005.

Principal Activities

The Company acts as an investment holding company.

Its subsidiaries were principally engaged in the import, marketing and distribution of air-conditioning and refrigeration products; audio-visual equipment; car audio and electronic products; motor vehicles and car accessories; and other electronic and electrical products. The activities and other particulars of the principal subsidiaries are set out in Note 50 to the financial statements.

Segmental Information

Details of segmental information are set out in Note 7 to the financial statements.

Group Results

The consolidated income statement is set out on page 72 and further analysis is given in the accompanying notes to the financial statements.

Dividends

The Directors do not recommend the payment of a final dividend (2004: nil) for the year ended December 31, 2005. No interim dividend was paid during the year (2004: nil).

Group Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 7.

Share Capital and Share Options

Details of movements in the share capital of the Company during the year are set out in Note 37 to the financial statements.

Information about the share options of the Company and details of movements in the share options of the Company during the year are set out on pages 183 to 185 of this Annual Report and in Note 48 to the financial statements.

董事向各股東提呈本年報及截至二零零五年十二月三十一日止財政年度之經審核財務報表。

主要業務

本公司為一家投資控股公司。

其附屬公司主要經營入口、推廣及代理經銷空調及冷凍產品、影音設備、汽車音響及電子產品、汽車及汽車配件，以及其他電子及電器產品。各主要附屬公司之業務及其他資料載列於財務報表賬項附註第50項內。

分類資料

分類資料詳情載列於財務報表賬項附註第7項。

集團業績

綜合損益表載列於第72頁，其分析則一併載列於財務報表賬項附註內。

股息

董事並不建議就截至二零零五年十二月三十一日止年度派發末期股息(二零零四年：無)。本年內並無派發中期股息(二零零四年：無)。

集團財務摘要

本集團於過去五個財政年度之業績、資產及負債之摘要載列於第7頁內。

股本及優先認股權

本年度本公司股本之變動詳情載列於財務報表賬項附註第37項內。

本年度有關本公司優先認股權資料及授予優先認股權之變動詳情載列於本年報第183至185頁及財務報表賬項附註第48項內。

Reserves

Details of movements in reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on pages 76 to 77 of this Annual Report and in Note 38 to the financial statements respectively.

Property, Plant and Equipment

Details of movements in property, plant and equipment of the Group and of the Company during the year are set out in Note 18 to the financial statements.

Donations

During the year, the Group made charitable and other donations of HK\$208,000 (2004: HK\$74,000).

Borrowings

Details of the Group's borrowings are set out in Note 34 to the financial statements. No interest was capitalised by the Group during the year.

Major Customers and Suppliers

The Group's five largest suppliers accounted for 47.0% of the Group's purchases during the year, 16.0% being attributable to the largest supplier.

The percentage of turnover attributable to the Group's five largest customers is less than 30.0% during the year.

As far as the Directors are aware, no Director of the Company, their associates or any shareholder (who to the knowledge of the Directors owns more than 5% of the Company's share capital) has interest in the Group's five largest suppliers.

儲備

本年度本集團及本公司儲備之變動情況分別詳載於本年報第76至77頁之綜合權益變動報表及財務報表賬項附註第38項內。

物業、廠房及設備

本年度本集團及本公司之物業、廠房及設備之變動情況詳載於財務報表賬項附註第18項內。

捐款

本年度本集團之慈善及其他捐款總額為港幣208,000元(二零零四年：港幣74,000元)。

貸款

本集團貸款之詳情載列於財務報表賬項附註第34項內，本年度本集團並無將利息資本化。

主要客戶及供應商

本年度本集團之五大供應商佔本集團採購額之47.0%，其中最大供應商佔16.0%。

本年度來自本集團五大客戶之營業額佔本集團總營業額不足30.0%。

據董事所知，概無本公司董事、彼等之聯繫人士或任何股東(據董事知悉擁有本公司股本5%以上)於本集團五大供應商中擁有權益。

Connected Transactions

Details of connected transactions of the Company during the year are disclosed in "Directors' Interests in Contracts" in this Directors' Report.

In 2005, in respect of the Group's occupancy of various units at Wo Kee Hong Building, the Group paid to Sumwell Property Management Limited ("SPML"), as a building manager to operate a building management fund for Wo Kee Hong Building, building management and other fees of total HK\$4,206,000 which SPML received on behalf of the management fund.

During the year under review, the transactions in the ordinary courses of business within the Group which involved the companies in which Messrs. Wing Sum LEE, Richard Man Fai LEE, Jeff Man Bun LEE and Ms. Kam Har YUE are directly or indirectly interested are shown in Note 42 to the financial statements.

Directors

The Directors of the Company who held office during the year and up to the date of this report are:

Executive

Wing Sum LEE (*Honorary Chairman*)
 Richard Man Fai LEE (*Executive Chairman and Chief Executive Officer*)
 Sammy Chi Chung SUEN
 Jeff Man Bun LEE
 Tik Tung WONG
 Waison Chit Sing HUI (*Appointed on March 16, 2006*)

Non-executive

Kam Har YUE

關連交易

本年度本公司之關連交易詳情於董事會報告書「董事在合約上之利益」一節內披露。

於二零零五年度，本集團就佔用和記行大廈多個單位支付予森和物業管理有限公司（「森和物業」）（作為和記行大廈之管理公司以經營樓宇管理基金），作為樓宇管理費及其他費用合共港幣4,206,000元，由森和物業代管理基金收取。

本年度內，本集團與李永森先生、李文輝先生、李文彬先生及余金霞女士均直接或間接擁有權益之公司所進行之正常商業交易載列於財務報表賬項附註第42項內。

董事

本年度內及直至本年報日本公司董事之芳名如下：

執行董事

李永森先生（榮譽主席）
 李文輝先生（執行主席兼行政總裁）
 孫志冲先生
 李文彬先生
 汪滌東先生
 許捷成先生（於二零零六年三月十六日獲委任）

非執行董事

余金霞女士

Directors (Continued)**Independent Non-executive**

Boon Seng TAN

Raymond Cho Min LEE

Ying Kwan CHEUNG (Appointed on November 3, 2005)

Kenji Tak Hing CHAN (Resigned on November 3, 2005)

In accordance with bye-law No. 99 of the Bye-Laws of the Company, Messrs. Sammy Chi Chung SUEN and Boon Seng TAN will retire from office by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with bye-law No. 102(B) of the Bye-Laws of the Company, Messrs. Ying Kwan CHEUNG and Waison Chit Sing HUI will retire from office at the forthcoming General Meeting and, being eligible, offer themselves for re-election.

According to the Wo Kee Hong (Holdings) Limited Company Act, 1991, no Director holding the office of chairman or managing director shall be subject to retirement by rotation as provided in the Bye-Laws of the Company. In order to comply with Code Provision A.4.2 of the Code on Corporate Governance Practices of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years, Mr. Richard Man Fai LEE, being the Chairman of the Company, will retire voluntarily from office at the forthcoming Annual General Meeting and, being eligible, offer himself for re-election.

The Independent Non-executive Directors ("INEDs") are subject to retirement by rotation in accordance with the Company's Bye-Laws. The Company has received from each INED a confirmation of his independence pursuant to the new independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers the INEDs to be independent.

董事 (續)**獨立非執行董事**

陳文生先生

李卓民先生

張應坤先生 (於二零零五年十一月三日
獲委任)

陳德興先生 (於二零零五年十一月三日
辭任)

依據本公司之公司細則第99條，孫志冲先生及陳文生先生在即將舉行之股東週年大會上輪席告退，惟願意接受膺選連任。

依據本公司之公司細則第102(B)條，張應坤先生及許捷成先生在即將舉行之股東大會上輪席告退，惟願意接受膺選連任。

根據和記行(集團)有限公司一九九一年公司法，擔任主席或董事總經理之董事無須按公司細則輪席告退。為符合香港聯合交易所有限公司證券上市規則(「上市規則」)所載之企業管治常規守則第A.4.2條，即每名董事(包括有指定任期的董事)應輪席告退，至少每三年一次，現任公司主席李文輝先生在即將舉行之股東週年大會自願告退，惟願意膺選連任。

獨立非執行董事須依據本公司之公司細則輪席告退。根據上市規則第3.13條新獨立指引，本公司已收到每位獨立非執行董事確認其乃屬獨立。本公司認為獨立非執行董事乃屬獨立。



Directors' Service Contracts

None of the Directors who is proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Mr. Wing Sum LEE entered into a service agreement with the Company for a term of 3 years commencing from July 1, 1991 and the appointment continues thereafter unless and until terminated by either party giving to the other 6 months' notice in writing.

Mr. Richard Man Fai LEE entered into a service agreement with the Company for a term of 3 years commencing from April 1, 2002 and the appointment continues thereafter unless and until terminated by either party giving to the other 6 months' notice in writing or pay-in-lieu.

Mr. Jeff Man Bun LEE entered into a service agreement with the Company for a term of 1 year commencing from January 21, 2002 and the appointment continues thereafter unless and until terminated by either party giving to the other 3 months' notice in writing or pay-in-lieu.

董事之服務合約

在即將召開之股東週年大會上獲提名連任之董事概無與本公司訂立任何本公司不可於一年內不作賠償(法定賠償除外)而終止之服務合約。

李永森先生與本公司訂立為期三年之服務合約，並於一九九一年七月一日開始，且是項委任此後持續有效，除其中一方提前六個月發出書面通知予對方終止有關委任為止。

李文輝先生與本公司訂立為期三年之服務合約，並於二零零二年四月一日開始，且是項委任此後持續有效，除其中一方提前六個月發出書面通知或代通知金予對方終止有關委任為止。

李文彬先生與本公司訂立為期一年之服務合約，並於二零零二年一月二十一日開始，且是項委任此後持續有效，除其中一方提前三個月發出書面通知或代通知金予對方終止有關委任為止。

Directors' Interests in Securities

At December 31, 2005, the interests and short positions of each Director and chief executive 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 are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange are as follows:

- (a) Beneficial interests and short position in the shares of the Company at December 31, 2005:

董事之證券權益

於二零零五年十二月三十一日，本公司各董事及主要行政人員於本公司或任何相聯法團（定義見證券及期貨條例第XV部）之股份、相關股份及債權證中擁有根據證券及期貨條例第352條須記入登記冊之權益及淡倉；或根據上市公司董事進行證券交易之標準守則須知會本公司及聯交所之權益及淡倉如下：

- (a) 於二零零五年十二月三十一日，本公司股份之實益權益及淡倉：

Number of ordinary shares of HK\$0.10 each ("Share")
每股面值港幣0.10元普通股股份（「股份」）數目

Directors 董事	Personal Interests 個人權益	Family Interests 家族權益	Corporate Interests 公司權益	Total Interests 權益總計
Mr. Richard Man Fai LEE 李文輝先生	33,564,388	6,738,732 (Note 1) (附註1)	1,171,335,706 (Note 2) (附註2)	1,211,638,826
Mr. Jeff Man Bun LEE 李文彬先生	4,719,000	–	1,185,792,896 (Notes 2 & 3) (附註2及3)	1,190,511,896
Ms. Kam Har YUE 余金霞女士	52,097,162	–	1,171,335,706 (Note 2) (附註2)	1,223,432,868
Mr. Sammy Chi Chung SUEN 孫志冲先生	471,900	–	–	471,900
Mr. Raymond Cho Min LEE 李卓民先生	–	–	19,202,000 (Note 4) (附註4)	19,202,000

Directors' Interests in Securities (Continued)

(a) (Continued):

Notes:

1. The 6,738,732 Shares are owned by Ms. Siew Yit HOH, the spouse of Mr. Richard Man Fai LEE.
2. The 1,171,335,706 Shares are held by Modern Orbit Limited, which is wholly owned by Cyber Tower Inc. as trustee of The WS Lee Unit Trust. 99% of the units of The WS Lee Unit Trust are held by a discretionary trust of which Mr. Wing Sum LEE's family members including Ms. Kam Har YUE, Mr. Richard Man Fai LEE and Mr. Jeff Man Bun LEE are the beneficiaries. The remaining 1% of the units of The WS Lee Unit Trust are held by Skylink International Asset Corporation, a company incorporated in the British Virgin Islands and owned by Ms. Kam Har YUE, Mr. Richard Man Fai LEE and Mr. Jeff Man Bun LEE.
3. Out of the 1,185,792,896 Shares, 14,457,190 Shares are held by Fisherman Enterprises Inc., a company incorporated in the British Virgin Islands and wholly owned by Mr. Jeff Man Bun LEE.
4. The 19,202,000 Shares are beneficially owned by ODE Asia Limited, 100% owned by M.W. Lee & Sons Enterprises Limited which is controlled by Mr. Raymond Cho Min LEE.
5. All interests in the Shares are long positions. None of the Directors held any short position in the Shares.

(b) Beneficial interests and short positions in underlying shares of equity derivatives of the Company at December 31, 2005 are disclosed in the section headed "Share Option Information" of this Annual Report.

董事之證券權益 (續)

(a) (續):

附註:

1. 該6,738,732股股份由李文輝先生之配偶何秀月女士擁有。
2. 該1,171,335,706股股份由Modern Orbit Limited擁有。Modern Orbit Limited由Cyber Tower Inc.全資擁有，作為The WS Lee Unit Trust之信託人。The WS Lee Unit Trust之99%權益由一項全權信託所持有，其中李永森先生之家庭成員，包括余金霞女士、李文輝先生及李文彬先生為該全權信託之受益人。The WS Lee Unit Trust其餘1%權益由Skylink International Asset Corporation持有，該公司於英屬處女群島註冊成立，由余金霞女士、李文輝先生及李文彬先生擁有。
3. 該1,185,792,896股股份當中，14,457,190股股份由Fisherman Enterprises Inc.持有，該公司於英屬處女群島註冊成立，由李文彬先生全資擁有。
4. 該19,202,000股股份由M.W. Lee & Sons Enterprises Limited全資擁有的ODE Asia Limited所實益擁有，而M.W. Lee & Sons Enterprises Limited則由李卓民先生所控制。
5. 股份中所有權益均為好倉。各董事概無於股份中持有任何淡倉。

(b) 於二零零五年十二月三十一日，本公司之股票衍生工具之相關股份之實益權益及淡倉在本年報「優先認股權資料」一節內予以披露。

Directors' Interests in Securities (Continued)

董事之證券權益 (續)

(c) Beneficial interests and short position in shares in associated corporations at December 31, 2005:

(c) 於二零零五年十二月三十一日，於相聯法團之股份之實益權益及淡倉：

Directors 董事	Name of associated corporation 相聯法團名稱	Number of shares or equity interests held or interested in 持有或擁有之股份數目或股本權益	Class and/or description of shares/interests 股份／權益類別及／或概況
Mr. Wing Sum LEE 李永森先生	Stoneycroft Estates Limited	15,750,000	non-voting deferred shares 無投票權遞延股
	Wo Kee Hong Limited 和記電業有限公司	8,500	non-voting deferred shares 無投票權遞延股
	Wo Kee Services Limited 和記電器服務有限公司	1	non-voting deferred shares 無投票權遞延股
Ms. Kam Har YUE 余金霞女士	Forward International Corporation, Limited 福和貿易有限公司	34,335	non-voting deferred shares 無投票權遞延股
	Shinwa Engineering Company, Limited 信和工程有限公司	3,850,000	non-voting deferred shares 無投票權遞延股
	Stoneycroft Estates Limited	340,000	non-voting deferred shares 無投票權遞延股
	Wo Kee Hong Limited 和記電業有限公司	400	non-voting deferred shares 無投票權遞延股

(d) Directors' interest in assets and/or arrangement

(d) 董事於資產及／或安排之權益

At December 31, 2005, none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any members of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

截至二零零五年十二月三十一日，無任何董事於已收購或出售或租賃予本集團任何成員之資產，或於擬收購或出售或租賃予本集團任何成員之任何資產中享有任何直接或間接權益。

At December 31, 2005, there is no contract or arrangement subsisting in which a Director was materially interested and which was significant in relation to the business of the Group as a whole.

截至二零零五年十二月三十一日，並無任何董事於本集團整體業務有重要影響之合約或安排中享有重大利益。



Directors' Interests in Contracts

- (a) Stoneycroft Estates Limited ("Stoneycroft") and Ever Rising Investments Limited, both are wholly-owned subsidiaries of the Company, (hereinafter collectively referred as "Owners") entered into a deed of mutual covenant and management agreement with Sumwell Property Management Limited ("SPML"), a company owned by Cyber Tower Inc. ("Cyber Tower"), and Ms. Kam Har YUE. Pursuant to the agreement, Owners appointed SPML to be the manager for a term of 2 years from December 29, 1998 (renewable automatically thereafter) to undertake the management, operation, servicing, maintenance, repair, renovation and replacement of Wo Kee Hong Building. The agreement can be terminated by either the committee of the Owners or SPML by giving 3 months' prior notice. The total management fee paid by the Owners to SPML in 2005 was HK\$417,000.

Cyber Tower is the trustee of The WS Lee Unit Trust, 99% of the units of which are held by a discretionary trust of which Mr. Wing Sum LEE's family members including Ms. Kam Har YUE, Mr. Richard Man Fai LEE and Mr. Jeff Man Bun LEE, all of which are Directors of the Company, are the beneficiaries. The remaining 1% of the units of The WS Lee Unit Trust are held by Skylink International Asset Corporation, a company incorporated in the British Virgin Islands and owned by Ms. Kam Har YUE, Mr. Richard Man Fai LEE and Mr. Jeff Man Bun LEE.

- (b) Owners entered into a service agreement with SPML on July 29, 2004. Pursuant to the service agreement, Owners appointed SPML to be the service company for a term of 1 year from April 1, 2004 for providing administrative and advisory services on the tenancy of Wo Kee Hong Building. The service agreement expired on March 31, 2005. The total amount of service fee paid to SPML in 2005 was HK\$4,500.

董事在合約上之利益

- (a) 本公司之全資附屬公司 Stoneycroft Estates Limited (「Stoneycroft」) 及 Ever Rising Investments Limited (統稱為「業主」) 與一間由 Cyber Tower Inc. (「Cyber Tower」) 及余金霞女士擁有之公司——森和物業管理有限公司 (「森和物業」) 簽訂一項大廈公契及管理協議。根據該協議，業主委任森和物業為管理人，任期由一九九八年十二月二十九日起為期兩年 (並於到期後自動延續)，負責管理、運作、保養、維修、修理、翻新及重置和記行大廈。業主委員會或森和物業可預先給予對方三個月通知以終止該協議。業主於二零零五年支付予森和物業之管理費合共為港幣 417,000 元。

Cyber Tower 為 The WS Lee Unit Trust 之信託人，當中 99% 之基金單位由李永森先生之家族成員包括余金霞女士、李文輝先生及李文彬先生 (均為本公司董事) 為受益人之全權信託持有。The WS Lee Unit Trust 剩餘之 1% 基金單位由 Skylink International Asset Corporation (一家於英屬處女群島註冊成立並由余金霞女士、李文輝先生及李文彬先生擁有之公司) 持有。

- (b) 業主與森和物業於二零零四年七月二十九日簽訂服務協議。根據該服務協議，業主委任森和物業為服務公司，任期由二零零四年四月一日起為期一年，提供和記行大廈之租賃行政及諮詢服務。服務協議於二零零五年三月三十一日到期。於二零零五年已支付森和物業之服務費合共為港幣 4,500 元。

Directors' Interests in Contracts (Continued)

- (c) Owners entered into another service agreement with SPML on December 24, 2004. Pursuant to the agreement, Owners appointed SPML to be the service company for a term of one year from October 1, 2004 for arranging, administrating, advising and/or supervising the repair and maintenance projects in Wo Kee Hong Building. The agreement can be terminated by either the Owners or SPML by giving to the other party/parties three months prior written notice. The service agreement expired on September 30, 2005. The total amount of service fee paid to SPML in 2005 was HK\$32,400.
- (d) Owners entered into a service agreement with SPML on January 1, 2004 in respect of the accounting service of the Wo Kee Hong Building Management Fund rendered by SPML. The service fees are fixed at HK\$162,000 per annum.
- (e) On May 27, 2005, Owners entered into a service agreement with Sumwell Development Limited ("SDL"), which is owned by Mr. Wing Sum LEE and Pioneer Dragon Development Ltd. ("Pioneer Dragon"). Pioneer Dragon is solely owned by Cyber Tower. Pursuant to the agreement, Owners appointed SDL as the project manager rendering administrative and advisory services for the application for modification of the use of Kwai Chung Town Lot No. 366, with effect from May 27, 2005. Either Owners or SDL may terminate the agreement by 1 month's written notice to the other party. The total remuneration paid to SDL in 2005 was HK\$40,000.

Apart from the foregoing, there were no other contracts of significance in relation to the Group's business, to which the Company or any of its subsidiaries was a party and in which a Director had, whether directly or indirectly, a material interest subsisting at the end of the year or at any time during the year ended December 31, 2005.

董事在合約上之利益 (續)

- (c) 業主與森和物業於二零零四年十二月二十四日簽訂另一項服務協議。根據該協議，業主委任森和物業為服務公司，任期由二零零四年十月一日起為期一年，為和記行大廈之維修及保養工程提供安排、管理、顧問及/或監管服務。業主或森和物業可預先給予對方三個月書面通知以終止該協議。服務協議已於二零零五年九月三十日到期。於二零零五年已支付森和物業之服務費為港幣32,400元。
- (d) 業主與森和物業於二零零四年一月一日就森和物業為和記行大廈管理基金提供之會計服務簽訂服務協議。該等服務費定為每年港幣162,000元。
- (e) 於二零零五年五月二十七日，業主與森和發展有限公司（「森和發展」）簽訂一項服務協議，森和發展乃由李永森先生及Pioneer Dragon Development Ltd.（「Pioneer Dragon」）擁有。Pioneer Dragon由Cyber Tower全資持有。依據該協議，業主委任森和發展為項目經理，為葵涌市地段366號地盤改變用途提供管理及諮詢服務，協議自二零零五年五月二十七日起生效。業主或森和發展均可預先給予對方一個月書面通知以終止該協議。二零零五年內付予森和發展之酬金共港幣40,000元。

除上述者外，本公司或其任何附屬公司於本年底或截至二零零五年十二月三十一日止年度內任何時間，並無簽訂任何與本集團業務有關而本公司董事在其中直接或間接享有重大利益之重要合約。

Directors' Interests in Competing Business

None of the Directors of the Company (other than Independent Non-executive Directors) is interested in any business apart from the Company's business, which competes or is likely to compete, either directly or indirectly, with the Company's business.

Proposed Share Consolidation

Reference is made to the announcements made by the Company dated August 18, 2005, February 23, 2006 and April 11, 2006 respectively. Taken into consideration of Rule 13.64 of the Listing Rules, the Board resolved to proceed with a consolidation of the shares of the Company on the basis of consolidating ten existing shares into one consolidated shares and proposed to put forward the share consolidation for the consideration and approval of the shareholders at a Special General Meeting to be held on June 15, 2006. Full particulars of the proposed share consolidation are set out in the circular despatched together with this Annual Report.

Convertible Securities, Options, Warrants or Similar Rights

Issue of Convertible Note

On August 18, 2005, the Company entered into a subscription agreement with Hanny Holdings Limited in relation to the subscription of a 7.25% coupon convertible note due 2008 of the Company by Hanny Holdings Limited or its subsidiary or affiliated company in the principal amount of HK\$30 million ("Convertible Note"). The initial conversion price is HK\$0.10 per share, subject to adjustment. Maturity will fall on the day immediately preceding the third anniversary of the date of issue of the Convertible Note. Upon full conversion of the Convertible Note at the initial conversion price of HK\$0.10 per share, 300 million shares of the company will be issued and they represent approximately 13.54% of the existing issued share capital of the Company as at the date of this report and approximately 11.92% of the issued share capital of the Company as enlarged by the conversion shares. The net proceeds from the issue of the Convertible Note is approximately HK\$28 million which has been used by the Company as additional general working capital. No Convertible Note has been converted or redeemed during the year under review.

董事在競爭行業之權益

除本公司之業務外，本公司各董事（獨立非執行董事除外）概無在任何與本公司業務有直接或間接競爭或可能有競爭之業務中擁有權益。

建議之股份合併

請參閱本公司分別於二零零五年八月十八日、二零零六年二月二十三日及二零零六年四月十一日之公佈。依據上市規則13.64條之規定，董事會決定對本公司之股份進行合併，每十股現有股份合併為一股，並建議將股份合併提呈股東特別大會（於二零零六年六月十五日舉行）由股東審議批准。建議股份合併之詳情請參閱與本年報同時刊發之通函。

可換股證券、期權、認股權證及相關權利

發行可換股票據

於二零零五年八月十八日，本公司就錦興集團有限公司或其附屬公司或其聯屬公司認購本公司發行本金為港幣30,000,000元，票面息率為7.25%於二零零八年到期的可換股票據（「可換股票據」），與錦興集團有限公司達成認購合約。除經調整外，初始換股價為每股港幣0.10元。到期日乃以該可換股票據發行日期計第三個週年日之前一日。可換股票據按每股港幣0.10元悉數轉換後將發行300,000,000股，佔本年報日本公司已發行股本約13.54%或佔本公司因換股而增加之股本約11.92%。可換股票據集資淨額約為港幣28,000,000元，用於本公司一般營運資金。於回顧年度，並無任何可換股票據被轉換或贖回。

Other than the Convertible Note and the share option schemes of the Company set out in Note 48 to the financial statements, the Company had no outstanding convertible securities, options, warrants or similar rights at December 31, 2005. Other than the Convertible Note and the share options pursuant to the share option schemes of the Company as explained in the "Share Option Information" section, there was no issue or exercise of any convertible securities, options, warrants or similar rights of the Company during the year.

Substantial Shareholders

Save as disclosed below and in the section headed "Directors' Interests in Securities", at December 31, 2005, so far as is known to the Directors, no other person had, or was deemed or taken to have an interest or short position of 5% or more of the interests in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

- (a) Beneficial interest and short position in the shares of the Company at December 31, 2005:

Company Name 公司名稱	Number of Shares 股份數目
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Modern Orbit Limited	1,171,335,706
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Note: The 1,171,335,706 Shares are held by Modern Orbit Limited, which is wholly owned by Cyber Tower Inc. as trustee of The WS Lee Unit Trust. 99% of the units of The WS Lee Unit Trust are held by a discretionary trust of which Mr. Wing Sum LEE's family members including Ms. Kam Har YUE, Mr. Richard Man Fai LEE and Mr. Jeff Man Bun LEE are the beneficiaries. The remaining 1% of the units of The WS Lee Unit Trust are held by Skylink International Asset Corporation, a company incorporated in the British Virgin Islands and owned by Ms. Kam Har YUE, Mr. Richard Man Fai LEE and Mr. Jeff Man Bun LEE.

- (b) Beneficial interests and short positions in underlying shares of equity derivatives of the Company at December 31, 2005:

Company Name 公司名稱	Number of Convertible Shares 可換股數目	Conversion Price 換股價
Hanny Holdings Limited	300,000,000	港幣0.10元

Note: The HK\$30,000,000 convertible redeemable note is held by Cross Profit Capital Limited, which is 100% indirectly controlled by Hanny Holdings Limited.

除可換股票據及載列於財務報表賬項附註第48項內之優先認股權計劃外，截至二零零五年十二月三十一日為止，本公司並無任何尚未行使之可換股證券、期權、認股權證及相類權利。除可換股票據及根據列載於「優先認股權資料」一節內按優先認股權計劃所發行及行使之優先認股權外，本公司在年度內並無發行及行使任何可換股證券、期權、認購權證及相類權利。

本公司之主要股東

除下文所披露者及於「董事之證券權益」一節外，於二零零五年十二月三十一日，就董事所知，概無其他人士於本公司股份或相關股份中擁有或被視為或當作擁有5%或以上之權益或淡倉，而須根據證券及期貨條例第336條記入登記冊之內：

- (a) 於二零零五年十二月三十一日，本公司股份之實益權益及淡倉：

**Approximate % of
the total issued Shares**
估已發行股本
總額之概約百分比

52.85%

附註： 該1,171,335,706股股份由Modern Orbit Limited擁有。Modern Orbit Limited由Cyber Tower Inc.全資擁有，作為The WS Lee Unit Trust之信託人。The WS Lee Unit Trust之99%權益由一項全權信託所持有，其中李永森先生之家庭成員，包括余金霞女士、李文輝先生及李文彬先生為該全權信託之受益人。The WS Lee Unit Trust其餘1%權益由Skylink International Asset Corporation持有，該公司於英屬處女群島註冊成立，由余金霞女士、李文輝先生及李文彬先生擁有。

- (b) 於二零零五年十二月三十一日，本公司權益衍生工具相關股份之實益權益及淡倉：

**Approximate % of the
total issued Shares**
估已發行股本
總額之概約百分比

13.54%

附註： Cross Profit Capital Limited持有是項港幣30,000,000元之可換股可贖回票據，彼乃由錦興集團有限公司100%間接控制。



Public Float

As at the date of this Annual Report, based on information that is publicly available to the Company, the Directors acknowledge that more than 25% of the issued capital of the Company are held by the public.

Purchase, Sale or Redemption of Securities

The Company and its subsidiaries have not repurchased, sold or redeemed any of the Company's securities during the year.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws in Bermuda although there are no restrictions against such rights under the laws in Bermuda.

Auditors

The financial statements for the year were audited by HLB Hodgson Impey Cheng who will retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

On July 19, 2004, Deloitte Touche Tohmatsu resigned as auditors of the Group. RSM Nelson Wheeler were appointed and then resigned as auditors of the Group on July 20, 2004 and on August 29, 2005, respectively. On August 30, 2005, HLB Hodgson Impey Cheng were appointed as auditors of the Group to fill the casual vacancy following the resignation of former auditors to hold office until the conclusion of the forthcoming annual general meeting of the Company.

On behalf of the Board of Directors

Richard Man Fai LEE

Executive Chairman & CEO

Hong Kong, April 11, 2006

公眾持股量

於本年報日，本公司依據已公開的資料，董事確認本公司25%以上已發行股本由公眾持有。

證券之購買、出售或贖回

本公司及其附屬公司並無在本年度內回購、出售或贖回本公司任何證券。

先買權

儘管百慕達法例在先買權上並無設立限制，本公司之公司細則及百慕達法例並無有關先買權之條文。

核數師

本年度之財務報表由國衛會計師事務所審核，該核數師將在應屆股東週年大會任滿告退，惟願意接受膺選再獲委任。

於二零零四年七月十九日，德勤•關黃陳方會計師行辭任本集團核數師。羅申美會計師行分別於二零零四年七月二十日被委任為本集團核數師並於二零零五年八月二十九日辭任本集團核數師一職。國衛會計師事務所於二零零五年八月三十日被委任為核數師以彌補前任核數師之臨時空缺，直至應屆股東週年大會結束為止。

承董事會命

執行主席兼行政總裁

李文輝

香港，二零零六年四月十一日