

## REPORT OF THE DIRECTORS

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

### CHANGE OF COMPANY NAME

Pursuant to a special resolution passed on 3 June 2005, the name of the Company was changed from “e-New Media Company Limited 安寧數碼科技有限公司” to “ENM Holdings Limited 安寧控股有限公司” with effect from 24 June 2005.

### PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and securities trading. The principal activities of the subsidiaries comprise the wholesale and retail of fashion wear and accessories, provision of telecommunications services, resort and recreational club operations, and investment holding. There were no significant changes in the nature of the Group’s principal activities during the year.

### RESULTS AND DIVIDENDS

The Group’s profit for the year ended 31 December 2005 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 27 to 99.

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

### SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 101. This summary does not form part of the audited financial statements.

### PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Company and the Group during the year are set out in notes 13 and 14 to the financial statements, respectively.

Further details of the investment properties are set out on page 100.

### DEBENTURES

Particulars of the club debentures of the Group are set out in note 28 to the financial statements.

## **REPORT OF THE DIRECTORS**

### **SHARE CAPITAL AND SHARE OPTIONS**

There were no movements in either the Company's authorised or issued share capital during the year. Details of movements in the Company's share options during the year, together with the reasons therefor, are set out in note 32 to the financial statements.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold 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 33(b) to the financial statements and in the consolidated statement of changes in equity on pages 30 and 31, respectively.

### **DISTRIBUTABLE RESERVES**

At 31 December 2005, the Company had no reserves available for distribution as calculated in accordance with the provisions of Section 79B of the Companies Ordinance (2004: Nil).

### **MAJOR CUSTOMERS AND SUPPLIERS**

The five largest customers accounted for less than 30% of the Group's total turnover for the year. The five largest suppliers accounted for approximately 40% of the Group's total purchases for the year and the largest supplier accounted for approximately 10% of the purchases.

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

**REPORT OF THE DIRECTORS****DIRECTORS**

The directors of the Company during the year were:

**EXECUTIVE DIRECTORS:**

Mr. Joseph Wing Kong LEUNG (Chairman)

Mr. James C. NG (Chief Executive Officer)

Mr. Derek Wai Choi LEUNG

Mr. Wing Tung YEUNG

**NON-EXECUTIVE DIRECTOR:**

Mr. Raymond Wai Pun LAU

**INDEPENDENT NON-EXECUTIVE DIRECTORS:**

Dr. Cecil Sze Tsung CHAO

Dr. Jen CHEN

Mr. Ian Grant ROBINSON

In accordance with article 101 of the Company's articles of association, Mr. Joseph Wing Kong LEUNG, Mr. Wing Tung YEUNG and Dr. Jen CHEN will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

**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 8 to 10 of the annual report.

**DIRECTORS' SERVICE CONTRACTS**

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

**DIRECTORS' INTERESTS IN CONTRACTS**

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

## REPORT OF THE DIRECTORS

### DIRECTOR'S INTEREST IN SHARES

At 31 December 2005, the interest of a director in the shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, was as follows:

*Long position in ordinary shares of HK\$0.01 each of the Company:*

<b>Name of director</b>	<b>Number of shares held through a controlled corporation</b>	<b>Percentage of the Company's issued share capital</b>
Mr. Joseph Wing Kong LEUNG	<u>200,000</u>	<u>0.012%</u>

Save as disclosed above, as at 31 December 2005, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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 minor children, 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 to acquire such rights in any other body corporate.

### SHARE OPTION SCHEMES

Details of the Company's share option schemes are disclosed in note 32 to the financial statements.

### EMOLUMENT POLICY

The emolument policy for the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, the directors' individual performance and comparable market statistics.

The Company has adopted share option schemes to provide incentives to executive directors and employees. The details of the schemes are set out in note 32 to the financial statements.

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### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

At 31 December 2005, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

*Long positions in ordinary shares of HK\$0.01 each of the Company:*

Name	Direct interest	Indirect interest	Number of shares held	Percentage of the Company's issued share capital
Diamond Leaf Limited	162,884,503	—	162,884,503	9.8%
Solution Bridge Limited	408,757,642	—	408,757,642	24.8%
Ms. Nina KUNG ( <i>note</i> )	—	571,642,145	571,642,145	34.6%
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

*Note:* The interest disclosed under Ms. Nina KUNG represents her deemed interests in the shares of the Company by virtue of her interests in Diamond Leaf Limited and Solution Bridge Limited.

Save as disclosed above, as at 31 December 2005, no person had registered an interest in the shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

### CONNECTED TRANSACTIONS

On 26 August 2004, the Company entered into a tenancy agreement (the "Old Tenancy Agreement") with Hollywood Palace Company Limited (the "Landlord"), a company controlled by a substantial shareholder, in respect of the letting of Suites 1502 and 1521 on 15th Floor, Chinachem Golden Plaza, 77 Mody Road, Tsimshatsui East, Kowloon for a term of eight months which commenced on 1 September 2004 at a monthly rent of HK\$113,260 with a one month rent-free period.

On 28 April 2005, the Company entered into a new tenancy agreement (the "New Tenancy Agreement") with the Landlord in respect of the renewal of leases of the same premises under the Old Tenancy Agreement for a term of two years commencing on 1 May 2005 at a monthly rent of HK\$145,620 with a four months rent-free period over the lease term. The New Tenancy Agreement constituted a continuing connected transaction for the Company under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The above mentioned continuing connected transaction has been reviewed by the independent non-executive directors of the Company who have confirmed that the transaction has been entered into:

- (a) in the ordinary and usual course of business of the Company;
- (b) on normal commercial terms; and
- (c) in accordance with the terms of the New Tenancy Agreement that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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### **CONNECTED TRANSACTIONS (CONTINUED)**

The Company has received from the auditors a letter reporting that the continuing connected transaction:

- (a) has been approved by the Company's board of directors; and
- (b) has been entered into in accordance with the New Tenancy Agreement.

### **SUFFICIENCY OF 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 directors.

### **AUDITORS**

Ernst & Young were first appointed as auditors of the Company in 2004 to fill the vacancy following the resignation of KPMG.

Ernst & Young retire 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

**Joseph Wing Kong LEUNG**

*Chairman*

Hong Kong, 7 April 2006