

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries, associate and jointly controlled entity are set out in notes 20, 21 and 22 to the financial statements, respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2005 are set out in the consolidated income statement on page 23.

The Company had no distributable reserve at 31st December, 2005 and the directors do not recommend the payment of a final dividend for the year ended 31st December, 2005.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 27 of the annual report and in note 38 to the financial statements, respectively.

INVESTMENT PROPERTIES

The Group's investment properties were revalued at 31st December, 2005 on an open market value basis by the directors. The deficit arising on revaluation during the year amounted to HK\$5,000,000.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment totalling approximately HK\$80,534,000 for the purpose of expanding the Group's operations.

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

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 restated and reclassified as appropriate, is set out on page 97. This summary does not form part of the audited financial statements.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers and the largest customer accounted for approximately 94% and 46% of the Group's total sales for the year respectively.

The five largest suppliers and the largest supplier accounted for approximately 41% and 21% of the Group's total purchases for the year respectively.

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers or suppliers.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors:

Suen Cho Hung, Paul (*Chairman*)

Li Zhicai (*Managing Director*) (retired on 20th June, 2005)

Sue Ka Lok (*Chief Executive Officer*)

Cao Jian An

Independent Non-executive Directors:

Sun Ka Ziang, Henry

Kwok Ming Fai

Wong Yun Kuen

Mr. Li Zhicai retired as Director and the Managing Director of the Company with effect from 20th June, 2005.

Mr. Sue Ka Lok was appointed as the Chief Executive Officer of the Company with effect from 20th September, 2005.

In accordance with Article 105 (A) of the Company's Articles of Association, Mr. Suen Cho Hung, Paul, Mr. Sun Ka Ziang, Henry and Mr. Kwok Ming Fai will retire at the forthcoming annual general meeting by rotation and, being eligible, will offer themselves for re-election.

None of the directors being 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 by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REPORT

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st December, 2005, the interests of the directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained 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 (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Name of director	Capacity	Number of ordinary shares held	Approximate percentage of the issued share capital of the Company
Suen Cho Hung, Paul	Interest held by controlled corporation (Note)	358,157,745	29.5%

Note: These shares are beneficially owned by Top Media Resources Limited, a company which is wholly-owned by All Sino Resources Limited which in turn is wholly-owned by Mr. Suen Cho Hung, Paul.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31st December, 2005, as required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The share option scheme of the Company was approved and adopted by the shareholders at the extraordinary general meeting held on 19th June, 2001 (the "Scheme"). Pursuant to the terms of the Scheme, the Company may grant options to executive directors and employees of the Company and its subsidiaries to subscribe for shares in the Company. The primary purpose of the Scheme is to provide incentives to eligible employees of the Group by offering them an opportunity to participate in the growth of the Group.

There were no share options granted, exercised, cancelled or lapsed during the year ended 31st December, 2005 and there were no outstanding share options as at 1st January, 2005 and 31st December, 2005.

Further details of the Scheme are as set out in note 39 to the financial statements.

DIRECTORS' REPORT

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Option Scheme" above, 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 benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate, and none of the directors or their spouse or children under the age of eighteen, had any rights to subscribe for the securities of the Company, or had exercised any such rights during the year.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31st December, 2005, the register of shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Name of shareholder	Capacity (Note)	Number of ordinary shares held	Approximate percentage of the issued share capital of the Company
Top Media Resources Limited	Beneficial owner	358,157,745	29.5%
All Sino Resources Limited	Interest held by controlled corporation	358,157,745	29.5%
Suen Cho Hung, Paul	Interest held by controlled corporation	358,157,745	29.5%

Note: Top Media Resources Limited is wholly-owned by All Sino Resources Limited which in turn is wholly-owned by Mr. Suen Cho Hung, Paul. Accordingly, Mr. Suen Cho Hung, Paul and All Sino Resources Limited are deemed to be interested in 358,157,745 shares of the Company under the SFO.

Other than as disclosed above, the Company had not been notified of any other relevant interests or short positions in the shares and underlying shares of the Company as at 31st December, 2005 as required pursuant to Section 336 of the SFO.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this annual report, no directors of the Company is considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, pursuant to Rule 8.10 of the Listing Rules, other than those businesses of which the directors of the Company were appointed as directors to represent the interests of the Company.

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, subsisting at the end of the year or at any time during the year.

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

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

CORPORATE GOVERNANCE

The audited financial statements of the Company for the year ended 31st December, 2005 had been reviewed by the Audit Committee of the Company before they were duly approved by the Board of Directors under the recommendation of the Audit Committee.

The Company has received, from each of the independent non-executive directors, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

Details of corporate governance are set out in the section headed "Corporate Governance Report" in this annual report.

EMOLUMENT POLICY

The Group remunerates its employees based on their performance, experience and prevailing market rate. Other employee benefits included insurance and medical cover, subsidised training course as well as share option scheme.

The determination of emoluments of the directors of the Company had taken into consideration of their respective responsibilities and contribution to the Company and by reference to market benchmark.

DIRECTORS' REPORT

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, the directors confirm that the Company has maintained the amount of public float as required under the Listing Rules as at the date of this annual report.

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 49 to the financial statements.

AUDITORS

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Suen Cho Hung, Paul

Chairman

Hong Kong, 24th April, 2006
