

## Report of the Directors

The directors submit their report together with the audited financial statements for the year ended 31 December 2005.

### Principal activities and segmental analysis of operations

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries comprise the following:

- (i) property holding, investment and re-development in Hong Kong;
- (ii) manufacture and distribution of cosmetic and health products in the People's Republic of China (the "PRC"); and
- (iii) retail and distribution of consumer products and the provision of media management services in the PRC.

Particulars of the Company's subsidiaries as at 31 December 2005 are set out in Note 9 to the financial statements.

The Group will continue to identify suitable projects and investment opportunities for possible diversifications in particular that related to the retail and distribution segment in the PRC.

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 are set out in the consolidated income statement on page 24.

The directors do not recommend the payment of a dividend.

### Fixed assets

Particulars of the movements in fixed assets of the Group and the Company during the year are set out in Note 7 to the financial statements.

### Principal properties

Particulars of the properties held for resale are set out on page 76.

### Borrowings

Particulars of the borrowings of the Group and the Company as at 31 December 2005 are set out in Note 20 to the financial statements.

## Share capital

The movements in share capital of the Company during the year are set out in Note 16 to the financial statements.

## Reserves

The movements in reserves of the Group and the Company during the year are set out in Note 18 to the financial statements.

## Distributable reserves

Distributable reserves of the Company as at 31 December 2005, calculated under Section 79B of the Hong Kong Companies Ordinance, amounted to HK\$Nil (2004: HK\$Nil).

## Pre-emptive rights

There is no provision for pre-emptive rights under the Company's Articles of Association ("Articles") or the laws of Hong Kong.

## Purchase, sale or redemption of shares

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the year.

## Five year financial summary

The results, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, are summarised on page 75.

## Directors

The directors who held office during the year and up to the date of this report were:

### *Executive Directors*

Mr. Ni Xinguang (*Chairman*)

Mr. Ha Shu Tong (*Managing Director*) (resigned on 17 January 2006)

Mr. Ng Chun Chuen, David

Mr. Wang Zhiming (resigned on 11 November 2005)

### *Independent Non-executive Directors*

Mr. Chan Wai Sum

Mr. Tang Chi Wing

Mr. Lu Wei (appointed on 15 June 2005)

Mr. Lee Kit Ming, Edmund (resigned on 15 June 2005)

In accordance with article 116 of the Articles, Mr. Ni Xinguang and Mr. Ng Chun Chuen, David retire by rotation and Mr. Lu Wei retired in accordance with article 99 of the Articles at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

# Report of the Directors

## Biography of directors

Biography of directors are set out on page 20.

## Directors' service contracts

The appointments of the present independent non-executive directors are not for specific terms. However, they are subject to retirement by rotation in accordance with the Articles.

There is no service contract, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation), in respect of any director proposed for re-election at the forthcoming annual general meeting of the Company.

## Directors' interests and short positions

As at 31 December 2005, the directors and their respective associated corporations had interests in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") as follows:

Name of director	Number of shares held		Number of underlying ordinary shares held under equity derivatives	Total	Percentage of the issued share capital*
	Personal interests	Corporate interests			
Ni Xinguang	58,780,000	2,000,000,000 (Note)	37,000,000	2,095,780,000	56.30%
Ng Chun Chuen, David	30,000,000	-	35,000,000	65,000,000	1.75%
Ha Shu Tong	2,000,000	-	35,000,000	37,000,000	0.99%

Note: 2,000,000,000 shares were owned by Group First Limited, a private company beneficially owned by Mr. Ni Xinguang as to 60%, representing approximately 53.72% of the issued share capital of the Company.

\* The percentage has been calculated based on the total number of ordinary shares of the Company in issue as at 31 December 2005 (i.e. 3,722,792,000).

Other than the holdings disclosed above, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any director or his associates of the Company or their respective associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein. Nor any of the directors (including their spouses and children under the age of 18) had, as at 31 December 2005, any interest in, or had been granted any right to subscribe for the securities and options of the Company and its associated corporations within the meaning of the SFO, or had exercised any such rights.

### Share options

On 28 May 2004, the shareholders of the Company approved the adoption of a new share option scheme (the "2004 Share Option Scheme"). During the year 2004, options to subscribe for a total of 144,000,000 option shares of the Company has been granted under the 2004 Share Option Scheme.

The 2004 Share Option Scheme will expire on 27 May 2014.

Movements of the options, which were granted under the 2004 Share Option Scheme, during the year were listed below in accordance with Rule 17.07 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

Category	Date of grant	Tranche	Number of option shares held as at 01/01/2005	Number of option shares granted during the year	Number of option shares exercised during the year	Number of option shares lapsed during the year	Number of option shares reclassified during the year	Number of option shares held as at 31/12/2005	Exercise price HK\$	Exercise period
<b>Directors</b>										
Ni Xingwang	20/12/2004	I	37,000,000	-	-	-	-	37,000,000	0.113	27/6/2005 - 26/12/2007
Ng Chun Chuen, David	20/12/2004	I	35,000,000	-	-	-	-	35,000,000	0.113	24/6/2005 - 23/12/2007
Ho Shu Tong	20/12/2004	I	35,000,000	-	-	-	-	35,000,000	0.113	24/6/2005 - 23/12/2007
Wang Zhiming*	20/12/2004	I	37,000,000	-	-	-	(37,000,000)	-	0.113	27/6/2005 - 26/12/2007
<b>Staff</b>	20/12/2004	I	-	-	-	-	37,000,000	37,000,000	0.113	27/6/2005 - 26/12/2007

- \* Mr. Wang Zhiming resigned as an executive director of the Company on 11 November 2005 and retained as a consultant of the Company.

### Directors interests in contracts

No contract of significance in relation to the Group's business to which the Company, its subsidiaries or its holding companies 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.

## Report of the Directors

### Directors' interests in competing business

None of the directors or the management shareholders (as defined in the Listing Rules) of the Company had an interest in a business which competes or may compete with the business of the Group.

### Substantial interests in the share capital of the Company

As at 31 December 2005, the interests of those persons (other than the directors) in the shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

<b>Name</b>	<b>Capacity in which ordinary shares were held</b>	<b>Number of ordinary shares</b>	<b>Percentage of the issued share capital</b>
Group First Limited <i>(Note)</i>	Beneficial owner	2,000,000,000	53.72%
Wang Zhiming	Corporate interests	2,000,000,000	
	Beneficial owner	57,780,000	
	Equity derivatives	37,000,000	
		<hr/>	
		2,094,780,000	56.27%
Wong Chung Pak	Beneficial owner	333,200,000	8.95%

Note: Group First Limited is a private company beneficially owned by Mr. Ni Xinguang, a director of the Company, as to 60% and by Mr. Wang Zhiming as to 40%. Accordingly, the 2,000,000,000 shares owned by Group First Limited is also deemed to be the corporate interests each of Mr. Ni Xinguang and Mr. Wang Zhiming.

All the interests disclosed under this section represent long position in the shares of the Company.

Apart from the aforesaid, as at 31 December 2005, the Company had not been notified of any interests and short position in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

### Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## Retirement benefits

Details of the retirement benefits of the Group are set out in Note 29 to the financial statements.

## Major customers and suppliers

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

The largest customer	36%
Five largest customers in aggregate	69%
The largest supplier	31%
Five largest suppliers in aggregate	55%

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

## Events after the balance sheet date

Details of the events after the balance sheet date of the Group are set out in Note 38 to the financial statements.

## Auditors

A resolution to re-appoint the retiring auditors, RSM Nelson Wheeler, will be proposed at the forthcoming annual general meeting.

By order of the board

**Ni Xinguang**

*Chairman*

Hong Kong SAR, 26 April 2006