



REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The Company is principally engaged in investing in listed and unlisted companies established in the People's Republic of China (the "PRC"), Hong Kong, Taiwan, Australia and United States.

RESULTS AND APPROPRIATIONS

The results of the Company for the year ended 31 December 2005 and the state of affairs at that date are set out in the financial statements on pages 20 to 21.

The directors do not recommend the payment of a dividend.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 14 to the financial statements.

RESERVES

Details of the movements in the reserves of the Company during the year are set out in the financial statements on page 22.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to the shareholders subject to the provisions of its Memorandum and Articles of Association and a statutory solvency test. In accordance with Article 143 of the Company's Articles of Association, dividends may be declared and paid out of the profits of the Company or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared or paid out of share premium account. The Company's reserves available for distribution amounted to HK\$34,159,647 as at 31 December 2005.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Company for the last five financial years, as extracted from the audited financial statements and restated and reclassified as appropriate, is set out on page 44. This summary does not form part of the audited financial statements.



REPORT OF THE DIRECTORS

PURCHASE, SALE OF REDEMPTION OF SHARES OF THE COMPANY

The Company has not purchased, sold or redeemed any of its own shares during the year.

DIRECTORS

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

Executive directors:

Mr. Li Ji Ning	(appointed on 30 June 2005)
Mr. Ma Kam Fook, Robert	
Ms. Pang Bang Xuan	(resigned on 8 July 2005)
Mr. Chu Wai Lim	(appointed on 19 January 2005)

Independent non-executive directors:

Mr. Foo Chi Ming	(resigned on 18 January 2006)
Mr. Wong Chi Keung	(resigned on 18 January 2006)
Ms. Li Pik Ha	(appointed on 19 January 2005)
Ms. Yin Ling	(appointed on 18 January 2006)
Mr. Fung Choi On	(resigned on 19 January 2005)
Mr. Shiu Kwok Keung	(appointed on 1 March 2006)

In accordance with Articles 87 and 88 of the Company's Articles of Association, Mr. Ma Kam Fook, Robert, Ms. Yin Ling and Mr. Shiu Kwok Keung, will retire by rotation at the forthcoming annual general meeting and, being eligible, offers themselves for re-election.

The Company has received annual confirmations of the independence from Ms. Li Pik Ha, Ms. Yin Ling and Mr. Shiu Kwok Keung, and still considers them to be independent as at the date of this report.

DIRECTORS' SERVICE CONTRACTS

Mr. Li Ji Ning has entered into a service contract with the Company for a term of two years which commenced on 30 June 2005 and is subject to termination by either party giving not less than six months' written notice.

Mr. Chu Wai Lim has entered into a service contract with the Company for a term of two years which commenced on 30 June 2005 and is subject to termination by either party giving not less than six months' written notice.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS – continued

Apart from the foregoing, none of the 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.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

At 31 December 2005, the interests and short positions of each director in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of the Securities and Futures Ordinance "SFO"), as recorded in the register maintained by the Company under Section 352 of Part XV 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"), were as follows:

Name of director	Number of Issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Li Ji Ning	29,600,000 (L)	23.95

(L) – Long position

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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in note 16 to the financial statements, 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 of the Company or their respective spouse or minor children, or were any such rights exercised by them; or was the Company a party to any arrangement to enable the directors of the Company to acquire such rights in any other body corporate.



REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

During the year the Company had the following connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

Connected transactions

- (a) On 18 February 2002, the Company entered into a service agreement (the "Investment Management Agreement") with China Core Capital Management Limited ("China Core"). Pursuant to the Investment Management Agreement, China Core will act as the investment manager of the Company for an initial term of three years. The Investment Management Agreement commenced on 1 January 2003 and will continue for successive periods of three years each, subject to the approval of the independent shareholders of the Company. The investment management fee will be payable in advance semi-annually at 2.5% per annum of the net asset value of the Company as at the immediately preceding dealing day of the last calendar month of the Stock Exchange. China Core is wholly-owned by Mr. Ma Kam Fook, Robert ("Robert Ma"), an executive director of the Company. On 15 March 2005, the Company entered into a termination agreement with China Core whereby both parties agreed to terminate the Investment Management Agreement with effect from 13 June 2005.

During the year, the Company paid investment management fees of HK\$511,668 to China Core.

- (b) Jensmart International Limited, a company which is wholly-owned by Mr. Robert Ma, had performed certain office administrative services (including provision of office premises) for the Company during the period from 1 January to 30 June 2005, for which a management fee of HK\$30,000 was charged.
- (c) On 15 March 2005 and 13 June 2005, the Company entered into a service agreement and a supplemental agreement (the "New IM Agreement") with United Gain Investment Limited ("United Gain") to fill the vacancy of China Core. Under the New IM Agreement, with effect from 13 June 2005, United Gain is entitled to a monthly management fee equivalent to 1.25% per annum of the net asset value of the Company as at the last dealing day on the Stock Exchange in each calendar month, calculated on the basis of the actual number of days in relevant calendar month over a year of 365 days. In addition, United Gain is also entitled to an annual incentive fee equivalent to 5% of the *Surplus Net Asset Value** of the Company for each financial year. The total fees payable to United Gain will be subject to a maximum amount of HK\$650,000 per annum.

* *Surplus Net Asset Value* mean "in relation to each financial year, 15% of the surplus in the net asset value as at the year end date of the financial year less the net asset value as at the year end date of the previous financial year."

During the year, the Company paid investment management fees of HK\$328,501 to United Gain.

REPORT OF THE DIRECTORS

Connected transactions – continued

The independent non-executive directors confirm that the transactions have been entered into by the Company in the ordinary course of its business, on terms no less favourable than terms available from independent third parties, and in accordance with the terms of the agreements governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Other than as disclosed above, no contracts of significance to which the Company 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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2005, the register of substantial shareholders maintained under Section 336 of the SFO showed that the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

Name of shareholder	Capacity	Note	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
First Pink Limited	beneficial	(1)	10,000,000	8.09%

Note:

(1) Mr. Chan Tak Hung is the director of First Pink Limited.

Save as disclosed above, as at 31 December 2005, no person, other than the director of the Company whose interests are set out in the section "Directors' interests and short positions in the shares, underlying shares and debentures of the company or any associated corporation" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.



REPORT OF THE DIRECTORS

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Company are set out in note 20 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code") as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code, throughout the accounting period covered by this annual report.

AUDITORS

During the year, Deloitte Touche Tohmatsu resigned as auditors of the Company and Grant Thornton was appointed by the directors on 17 January 2006 to fill the casual vacancy. There have been no other changes of auditors in the past three years.

Grant Thornton retires at the forthcoming annual general meeting and, being eligible, offers themselves for re-appointment.

ON BEHALF OF THE BOARD

Li Ji Ning
Chairman

Hong Kong
25 April 2006