

REPORT OF THE DIRECTORS

The directors herein present their report and the audited financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The subsidiaries are principally engaged in information technology business, provision of financial information and related services, sales of securities, distance learning and application services and property development.

SEGMENTED INFORMATION

Particulars of the Group's turnover and segment information are set out in notes 6 and 7 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 41.

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

COMPARATIVE FINANCIAL INFORMATION

The consolidated results and the assets and liabilities of the Group for the last five financial years, as extracted from the Group's published audited financial statements, whereas particular figures are restated to comply with the existing accounting standards.

RESULTS

	Year ended 31 December 2005 HK\$'000	Year ended 31 December 2004 HK\$'000	Nine months ended 31 December 2003 HK\$'000	Year ended 31 March 2003 HK\$'000	Year ended 31 March 2002 HK\$'000
Net profit/(loss) attributable to equity holders	264,016	82,579	80,971	13,845	(32,488)

ASSETS AND LIABILITIES

	31 December 2005 HK\$'000	(Restated) 31 December 2004 HK\$'000	(Restated) 31 December 2003 HK\$'000	(Restated) 31 March 2003 HK\$'000	(Restated) 31 March 2002 HK\$'000
Total assets	2,268,180	5,564,927	5,905,479	5,920,928	5,427,815
Total liabilities	(301,316)	(1,123,439)	(1,908,148)	(2,226,546)	(1,834,267)
Net assets	1,966,864	4,441,488	3,997,331	3,694,382	3,593,548

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Company and the Group during the year are set out in note 15 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 17 to the financial statements.

ASSOCIATES

Particulars of the Company's and the Group's associates are set out in note 18 to the financial statements.

REPORT OF THE DIRECTORS

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

The Group's bank loans, overdrafts and other borrowings as at 31 December 2005 are set out in note 32 to the financial statements.

SHARE CAPITAL AND SHARE PREMIUM

Details of the movements in share capital and share premium of the Company during the year are set out in notes 34 and 36 to the financial statements respectively.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in note 37 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2005, the amount of the Company's reserves available for distribution to shareholders was approximately HK\$101,568,000. In addition, the Company's share premium account with a balance of HK\$39,194,000 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's sales to the five largest customers and purchases from the five largest suppliers for the year ended 31 December 2005 accounted for less than 30% of the Group's total turnover and purchases, respectively, for the year.

DIRECTORS' EMOLUMENTS

Details of directors' emoluments are set out in note 41 to the financial statements.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the directors of the Company has an interest in a business which competes or may compete with the business of the Group.

PENSION COSTS

Details of retirement benefit plans in respect of the year are set out in note 46 to the financial statements.

DIRECTORS

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

Mr. YU Pun Hoi (<i>Chairman</i>)	
Mr. ZHANG Hong Ren	(resigned on 1 April 2006)
Ms. CHEN Dan	(appointed on 14 February 2006)
Mr. QIN Tian Xiang	(re-designated as executive director on 14 February 2006)
Mr. LI Shilin #	(resigned on 30 June 2005)
Mr. LUO Ning #	
Mr. LAM Bing Kwan #	
Mr. HUANG Yaowen *	(appointed on 14 February 2006)
Mr. CHAN Lap Stanley *	
Mr. FUNG Wing Lap *	

Non-executive directors

* Independent non-executive directors

REPORT OF THE DIRECTORS

DIRECTORS (continued)

The Company has received annual confirmation from each of the existing independent non-executive directors confirming her/his independence to the Company pursuant to rule 3.13 of the Listing Rules and the Company considers that such directors are independent of the Company.

In accordance with article 87 of the Company's articles of association, Ms. Chen Dan and Mr. Huang Yaowen may hold office only until the forthcoming Annual General Meeting and, being eligible, will offer themselves for re-election at the forthcoming Annual General Meeting.

In accordance with article 94 of the Company's articles of association, Mr. Luo Ning and Mr. Qin Tian Xiang shall retire at the forthcoming Annual General Meeting and, being eligible, will offer themselves for re-election at the forthcoming Annual General Meeting.

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors

Mr. YU Pun Hoi, aged 47, is the Chairman, and the chairman of executive committee of the Company. Mr. Yu was a director of the Company from October 1991 to October 1994, and re-joined the board of directors of the Company ("Board") on 31 January 1997. Mr. Yu is also the chairman, controlling shareholder, and the chairman of executive committee of Nan Hai Corporation Limited ("Nan Hai"), the listed controlling shareholder of the Company. Mr. Yu is also a director of all the subsidiaries of the Company.

The Company under Mr. Yu's leadership is focusing on the four main aspects of business – IT applications, financial information services, distance learning, and culture and media. CE Dongli Technology Group Limited "CE Dongli", 北京新網數碼信息技術有限公司 (Beijing Xinnet Cyber Information Company Limited "Xinnet"), 廣州漢鑫商務科技有限公司 Easy-Trade Technology Services Limited "Easy-Trade", 北京世華國際金融信息有限公司 (Beijing Shihua International Financial Information Company Limited "Shihua"), 北京華夏大地遠程教育網絡服務有限公司 (Beijing Chinese Dadi Distance Education Company Limited "Chinese Dadi") and Dadi Entertainment Limited are the major subsidiaries of the Company, which have their own leadership roles in markets, and have become the main source of development energy in their respective industries.

In 1989, Mr. Yu acquired Acesite (Phils.) Hotel Corporation (a company listed on the Philippines Stock Exchange) which owned Manila Hilton Hotel.

In 1992, Mr. Yu acquired Ming Pao Enterprise Corporation Limited, and established Wuhan Cable TV Network Limited.

In 1993, Mr. Yu established the first Internet service provider namely HKNet in Hong Kong, becoming one of the pioneers expanding Chinese information to international and Internet.

In 1994, Mr. Yu established the first 24-hour Chinese satellite broadcasting television station namely Chinese Television Network (CTN) in the world, having two universal unique channels – Zhong Tian and Dadi were the first 2 channels providing 24 hours Chinese broadcasting globally.

In 1999, Mr. Yu procured the Company to acquire China Enterprise ASP Limited, and established Shenzhen China Enterprise Industry Development Company Limited in Shenzhen (the PRC company was restructured to a shareholding company in 2003, and its name was then changed to CE Dongli Technology Group Company Limited). By Mr. Yu's precise market sense, the company was successfully re-engineered to focus on the domain of IT applications. Having the beliefs of innovative and customer-service oriented, Mr. Yu leads CE Dongli to an exceptional achievement of becoming a leader in the IT application services industry by having over 60 branches, over 6,000 employees, and achieving continuously fast growing business performance within these several years.

In 2000, Mr. Yu acquired Savoy Concepts Limited (a company listed on the Stock Exchange of Hong Kong), its name was then changed to Nan Hai Corporation Limited. Subsequent to business re-organization and re-engineering, Nan Hai main business is properties development projects in Shenzhen and Guangzhou.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS (continued)

Executive Directors (continued)

In 2001, Mr. Yu acquired Shihua, and turned it around to a financial information provider in China market, and subsequently built it up as one of the leading corporations in the provision of financial information services in China.

In 2003, Mr. Yu acquired Xinnet and New Chinese Business Net. Xinnet is the main provider for domain names registration and virtual hosting services in China. The main business of New Chinese Business Net is to provide such middle to high level of information management services as supply chain management system and distribution management system to corporate clients and dealers of brand-named products.

In 2004, CE Dongli Technology Group Company Limited under the leadership of Mr. Yu was the 1st runner up in IT outsourcing market in China.

Ms. CHEN Dan, aged 37, graduated from Beijing Finance & Trade College in 1991, and conferred a Bachelor degree in Trade & Economics. Ms. Chen is a registered attorney at law in the PRC, and was working as an attorney prior to joining the Group in October 2000. Ms. Chen has been appointed as a director and general manager of CE Dongli, a subsidiary of the Company, since May 2004. On 14 February 2006, Ms. Chen joined the Board and was appointed as executive committee member and general manager of the Company. Ms. Chen is also an executive director, executive committee member of Nan Hai, and holds directorships in Chinese Dadi, Xinnet and Easy-Trade, major subsidiaries of the Company and Nan Hai.

Mr. QIN Tian Xiang, aged 40, graduated from the National University of Defense Technology, Electronics Technique Department. Mr. Qin has been in presidential and directorship positions in a number of corporations in the PRC since 1994. Mr. Qin joined the Board in the role of independent non-executive director on 30 September 2004, and was then re-designated as an executive director and appointed as executive committee member of the Company on 14 February 2006. Mr. Qin is also an executive director, executive committee member and general manager of Nan Hai.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS (continued)

Non-executive Directors

Mr. LUO Ning, aged 47, is a director and assistant President of CITIC Group (a substantial shareholder of the Company), and holds various senior management positions in a number of subsidiaries, associated or related companies of CITIC Group. Mr. Luo is also a director of CITIC Guoan Information Industry Co., Ltd. whose A shares are listed on The Shenzhen Stock Exchange. Mr. Luo joined the Board on 5 October 1999.

Mr. LAM Bing Kwan, aged 56, graduated from the University of Oregon in the United States of America with a Bachelor of Business Administration degree in 1974. Mr. Lam had been in senior management positions in the banking and financial industry for more than 10 years before joining our Group. Mr. Lam joined the Board on 14 October 1991, and was re-designated as non-executive director on 2 April 2002. Mr. Lam is also a non-executive director of Nan Hai, and an independent non-executive director of Lai Sun Development Company Limited, Lai Fung Holdings Limited and eForce Holdings Limited.

Independent Non-executive Directors

Mr. HUANG Yaowen, aged 35, graduated from South West University of Politics and Laws in the PRC, and was conferred a Bachelor degree in Laws in 1992. Mr. Huang also holds a Master of Laws from Central Parties School in the PRC. Mr. Huang is a registered attorney at law in the PRC, and is taking the EMBA course in China Europe International Business School. Mr. Huang is the executive partner of Kai Wen Law Firm, one of the largest Chinese commercial law firms in the PRC, and is a partner of Kai Yuan Law Firm. On 14 February 2006, Mr. Huang joined the Board and was appointed as chairman of audit committee and remuneration committee of the Company. Mr. Huang is also an independent non-executive director and chairman of audit committee and remuneration committee of Nan Hai.

Mr. CHAN Lap Stanley, aged 51, graduated from medical school of Zhejiang University in 1983, and also holds a Master's degree in Psychology. Mr. Chan has been an Assistant Professor in Zhejiang University in the PRC, and a researcher and chief secretary of a Research Centre for Taiwan, Macau and Hong Kong in Zhejiang University since 1997. Mr. Chan is also a business consultant in Ningbo Free Trade Zone in Zhejiang. Mr. Chan joined the Board on 30 September 2004 and is also an audit committee member and remuneration committee member of the Company.

Mr. FUNG Wing Lap, aged 46, graduated from The Hong Kong Polytechnic University in 1992. Mr. Fung is a fellow member of Association of International Accountants, and a Certified Public Accountant (Practising) of Hong Kong Institute of Certified Public Accountants. Mr. Fung has been a partner of Fung Lau & Company, Certified Public Accountants, since October 2000. Mr. Fung joined the Board on 30 September 2004 and is also an audit committee member and remuneration committee member of the Company.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF SENIOR MANAGEMENT

Mr. YU Fan (aged 38)

Deputy General Manager – Business and Strategic Development
Sino-i Technology Limited
Executive Deputy General Manager
CE Dongli Technology Group Company Limited

Mr. Yu joined the Group in May 2004, and worked in CE Dongli, chiefly responsible for strategic planning, sales and marketing, and operations management for both the company and its branch offices. Prior to joining the Group, Mr. Yu worked in such large corporations as Founder Group and Hewlett Packard and has over 16 years' experience in IT industry.

Mr. Yu got a degree of Master of Business Administration from Peking University.

Ms. LIU Rong (aged 34)

Deputy General Manager – Media and Culture
Sino-i Technology Limited
General Manager – Internet Data Centre
Sino-i Technology Limited

Ms. Liu joined the Group as Corporate Affairs Manager in April 2002, involving the Group's corporate affairs, capital raising and investments, and mergers and acquisitions in China. In January 2006, Ms. Liu was appointed as General Manager – Internet Data Centre of the Company, responsible for Internet business management of the Group. Prior to joining the Group, Ms. Liu worked in Chinese government departments and law firms. Ms. Liu is a qualified lawyer in China.

Ms. Liu was graduated from the Law School of Anhui University in 1993, and obtained a degree of Bachelor of Laws. Ms. Liu got her Master of Laws in 2002 conferred by the Law Institute of Chinese Academy of Social Science.

Dr. ZHANG Bin (aged 40)

Deputy General Manager – Technology Development
Sino-i Technology Limited
Chief Technology Officer
Sino-i Technology Limited

Dr. Zhang joined the Group in 1999. In March 2005, Dr. Zhang was appointed as Chief Technology Officer of the Company, responsible for the overall technical affairs, R&D, products maintenance and information-related work of the Group. Prior to joining the Group, Dr. Zhang worked in the positions of chief engineer and deputy general manager, responsible for development of communication systems. In 1996, Dr. Zhang was accredited by Commission of Science Technology and Industry for National Defence as "Senior Engineer".

Dr. Zhang was graduated from the Computer Faculty of The University of Defence Technology in 1994, and awarded a doctorate.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF SENIOR MANAGEMENT (continued)

Mr. SHAM Kin Fun Johnny (aged 53)

General Manager – Media Investment Department
Sino-i Technology Limited

Mr. Sham joined the Group in January 2000, in charge of the media investment affairs. Before joining the Group, Mr. Sham was in such senior management positions as an executive director of D&B Film Production Company, chief executive officer of Maverick Film Limited and chief executive of Super_TV in Taiwan. Mr. Sham is well experienced in management and operations of media.

Mr. CHENG Chih Hung (aged 50)

General Manager – Financial Information Services Department
Sino-i Technology Limited
General Manager
北京世華國際金融信息有限公司 (Beijing Shihua International Financial Information Company Limited)

Mr. Cheng joined the Group in November 2004 in the position of General Manager of Shihua, a subsidiary of the Company, responsible for overall management of the company, including promotion of the company's main product and service named "Shihua Financial Information". Mr. Cheng has many years of management experience in the industries of international information and communications. Prior to joining the Group, Mr. Cheng worked in senior management positions in a number of large scaled corporations in Taiwan.

Dr. WU Fa Ti (aged 35)

General Manager – Distance Learning Department
Sino-i Technology Limited
General Manager
北京華夏大地遠程教育網絡服務有限公司 (Beijing Chinese Dadi Distance Education Company Limited)

Dr. Wu joined the Group in June 1999, responsible for the strategic management and development of distance learning business. Dr. Wu has been hosting of and participating to a number of research projects at both national and provincial levels in China since 1993.

Dr. Wu was graduated from the Information Science Faculty of Beijing Normal University in 1999 and was awarded a doctorate in education technology.

Ms. Bettina YANG (aged 36)

General Manager – Network Financial Media Department
Sino-i Technology Limited

Ms. Yang joined the Group in 1999 and has been working in Shihua, responsible for overseeing the information division which provides real-time financial information, market data, commentary and analysis. Prior to joining the Group, Ms. Yang was in the US, serving as Washington bureau chief for a 24 hour global Chinese news television network.

Ms. Yang holds a degree of Master of International Public Policy from John Hopkins University's School of Advanced International Studies, USA, and a B.A. from American University in Communications and Spanish.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF SENIOR MANAGEMENT (continued)

Mr. HSIAO Hsu Ching (aged 48)

General Manager – IT Basic Services Department

Sino-i Technology Limited

General Manager

北京新網數碼信息技術有限公司 (Beijing Xinnet Cyber Information Company Limited)

Mr. Hsiao joined the Group in May 2005, responsible for the overall strategic and operations management of Xinnet, a subsidiary of the Company. Prior to joining the Group, Mr. Hsiao worked in a number of advertising companies in the senior positions of deputy general manager and controller.

Ms. LIN Chuan Ju (aged 36)

General Manager – Network Direct Sales Department

Sino-i Technology Limited

Ms. Lin joined the Company in 2004, responsible for two main businesses of corporate client websites and customer service planning centre. Prior to joining the Group, Ms. Lin worked in an advertising sector, responsible for sales and brand names promotion projects.

Ms. Lin was graduated from National Chiao Tung University, Taiwan in 1989, major in Applied Mathematics, and also got a master's degree in sales communications in Boston, USA in 1991.

Ms. LIN Mei Yao (aged 35)

General Manager

廣東大地電影院線有限公司 (Guangdong Dadi Cinema Circuits Limited)

Ms. Lin joined the Group in May 2004, working in the position of Marketing Director in CE Dongli, a subsidiary of the Company, responsible for marketing strategic affairs. In September 2005, Ms. Lin was promoted to the position of General Manager of 廣東大地電影院線有限公司 (Guangdong Dadi Cinema Circuits Limited), responsible for cinema circuit operations affairs. Prior to joining the Group, Ms. Lin was responsible for advertisement production, marketing promotion projects, development and promotion of electronic business websites.

Ms. Lin was graduated from World College of Journalism and Communications, Taiwan in 1991, and awarded a bachelor degree.

Ms. LAM Pou Lin Deborah (aged 53)

General Manager

Dadi Entertainment Limited

Ms. Lam joined the Group in 1999. In 2000, Ms. Lam was promoted to the position of General Manager of Dadi Entertainment Limited, the subsidiaries of the Company. Ms. Lam is responsible for general cultural activities, production of music and records, distribution of records, artistes agency and management, licensing of music rights, exchanging of artistic performance, planning and coordination of large-scale performance, production and coordination of films, licensing of TV drama series rights. Prior to joining the Group, Ms. Lam worked in senior positions relating to public relations and promotions in Hong Kong.

Ms. Lam was graduated from The Academy of Arts College, San Francisco, USA, major in Arts.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF SENIOR MANAGEMENT (continued)

Mr. CHEN Ming Jie (aged 40)

General Manager – Communication Services Department
Sino-i Technology Limited

Mr. Chen joined the Group in 2005, responsible for planning, development, operation and resources management for the added services of the Group's Internet Data Centre and B2B business. Prior to joining the Group, Mr. Chen with others jointly developed the first overseas on-line book store, and worked in other corporations in China, responsible for development of such wireless added services as short messages.

Mr. Chen was graduated from Fujian Normal University in 1989, and completed his post-graduated studies in Chinese Academy of Sciences in 2004.

Mr. ZHAO Xian Wu (aged 38)

General Manager – Technology Operating Centre
Sino-i Technology Limited

Mr. Zhao joined the Group in August 2002, responsible for development of technologies for projects, quality assurance and management of the Group's technical operations systems. Prior to joining the Group, Mr. Zhao worked in Beijing Astronautic Control Centre, responsible for development of software.

Mr. Zhao was graduated from National University of Defence Technology in 1990, and completed his post-graduated studies in computer software in 1994.

Ms. SHUM Mei Han (aged 40)

Qualified Accountant
Sino-i Technology Limited

Ms. Shum joined the Group in 1989, responsible for the Group's accounting and financial control functions. Ms. Shum has over 20 years of experience in accounting and financing field.

Ms. Shum was graduated from the University of South Australia and major in Accountancy, and is a Certified Practising Accountant member of CPA Australia.

DIRECTORS' INTERESTS AND SHORT POSITIONS

As at 31 December 2005, the interests and short positions of the directors and chief executive of the Company in shares, underlying shares and debentures of the Company or any of its associated corporations (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 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 Companies (the "Model Code") were as follows:

The Company

- (i) Interests in shares in issue

Name of Director	Number of shares of HK\$0.01 each				Approximate percentage holding
	Personal interest	Corporate Interest	Family Interest	Total Interest	
Yu Pun Hoi ("Mr. Yu")	–	12,515,795,316 (Note 1)	44,000,000 (Note 2)	12,559,795,316	63.07%
Zhang Hong Ren	504,000	–	–	504,000	0.003%
Fung Wing Lap	10,000	–	–	10,000	0.00005%

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS AND SHORT POSITIONS (continued)

Notes:

- Mr. Yu, together with his family and corporate interests, are entitled to control the exercise of more than one-third of the voting power at general meetings of Nan Hai Corporation Limited ("Nan Hai"). These 12,515,795,316 shares were collectively held by Goalrise Investments Limited, View Power Investments Limited and Wise Advance Investments Limited which are all wholly-owned subsidiaries of Nan Hai. As such, Mr. Yu was taken to be interested in these shares for the purposes of Part XV of the SFO.
- These 44,000,000 shares were held by Redmap Resources Limited, a company wholly owned by Ms. Kung Ai Ming, the spouse of Mr. Yu.

(ii) Interests in underlying shares

Name of Director	Number of underlying shares*	Nature of Interest	Approximate percentage holding
Zhang Hong Ren	10,000,000	Personal	0.05%
Lam Bing Kwan	18,000,000	Personal	0.09%

* Represents underlying shares subject to share options granted to the directors, details of which are as follows:

Grantee	Date of Grant	Exercise price per share	No. of share options granted	Exercisable period
Zhang Hong Ren	12-11-2004	HK\$0.16	5,000,000	01-07-2005 to 30-06-2008
		HK\$0.16	5,000,000	01-07-2006 to 30-06-2008
Lam Bing Kwan	12-11-2004	HK\$0.16	9,000,000	01-07-2005 to 30-06-2008
		HK\$0.16	9,000,000	01-07-2006 to 30-06-2008

Associated corporations

As disclosed above, Mr. Yu, together with his family and corporate interests, are entitled to control the exercise of more than one-third of the voting power at general meetings of Nan Hai, the holding company of the Company. As such, Mr. Yu is taken to be interested in the shares that the Company, Nan Hai or their respective controlled corporations hold in the associated corporations of the Company within the meaning of Part XV of the SFO. Nan Hai is a company the shares of which are listed on the Stock Exchange which is also an associated corporation of the Company within the meaning of Part XV of the SFO. As at 31 December 2005, the interests of the directors of the Company in shares and underlying shares of Nan Hai were as follows:

(i) Interests in shares in issue

Name of Director	Number of shares of HK\$0.01 each				Approximate percentage holding
	Personal interest	Corporate Interest	Family Interest	Total Interest	
Mr. Yu	–	32,403,726,203	69,326,400	32,473,052,603	47.64%
Zhang Hong Ren	794,102	–	–	794,102	0.001%
Fung Wing Lap	15,756	–	–	15,756	0.00002%

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS AND SHORT POSITIONS (continued)

(ii) Interests in underlying shares

Name of Director	Number of underlying shares*	Nature of Interest	Approximate percentage holding
Zhang Hong Ren	17,500,000	Personal	0.03%
Lam Bing Kwan	25,000,000	Personal	0.04%

* Represents underlying shares subject to share options granted to the directors, details of which are as follows:

Grantee	Date of Grant	Exercise price per share	No. of share options granted	Exercisable period
Zhang Hong Ren	15-12-2005	HK\$0.04	8,750,000	01-01-2006 to 31-12-2007
		HK\$0.04	8,750,000	01-01-2007 to 31-12-2007
Lam Bing Kwan	15-12-2005	HK\$0.04	12,500,000	01-01-2006 to 31-12-2007
		HK\$0.04	12,500,000	01-01-2007 to 31-12-2007

Save as disclosed above, as at 31 December 2005, none of the directors and chief executive of the Company had any interest or short position in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

On 29 August 2002, the Company adopted a share option scheme (the "Scheme"). Under the Scheme, share options may be granted to directors, employees of the Group and those who have contributed or will contribute to the Group at any time within ten years after its adoption at the discretion of the Board.

On 12 November 2004, share options to subscribe for a total of 233,360,000 shares, representing approximately 1.68% of the issued share capital of the Company as at the date of the adoption of the Scheme, were granted to the directors and employees of the Company and subsidiaries and the persons who have provided research, development or other technological support or services to the Group (the "Consultants") at an exercise price of HK\$0.16 per share. The closing price of share of the Company immediately before the date of grant was HK\$0.158. Movements on the share options during the period are as follows:

Grantee	Date of Grant	Exercisable period	Exercise price per Share	No. of shares				
				outstanding as at 1 January 2005	granted during the year	exercised during the year	lapsed during the year	outstanding as at 31 December 2005
Directors								
Zhang Hong Ren	12-11-2004	1-7-2005 to 30-6-2008	HK\$0.16	5,000,000	-	-	-	5,000,000
		1-7-2006 to 30-6-2008	HK\$0.16	5,000,000	-	-	-	5,000,000
Lam Bing Kwan	12-11-2004	1-7-2005 to 30-6-2008	HK\$0.16	9,000,000	-	-	-	9,000,000
		1-7-2006 to 30-6-2008	HK\$0.16	9,000,000	-	-	-	9,000,000
Employees								
In aggregate	12-11-2004	1-7-2005 to 30-6-2008	HK\$0.16	95,885,000	-	-	66,155,000	29,730,000
		1-7-2006 to 30-6-2008	HK\$0.16	95,885,000	-	-	66,155,000	29,730,000
		1-1-2006 to 31-12-2008	HK\$0.16	4,100,000	-	-	2,600,000	1,500,000
		1-1-2007 to 31-12-2008	HK\$0.16	4,100,000	-	-	2,600,000	1,500,000
Consultants								
In aggregate	12-11-2004	1-1-2006 to 31-12-2008	HK\$0.16	1,800,000	-	-	1,800,000	-
		1-1-2007 to 31-12-2008	HK\$0.16	1,800,000	-	-	1,800,000	-
				231,570,000				90,460,000

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (continued)

A summary of the Scheme is as follows:

(1) Purpose

The purpose of the Scheme is to provide incentives or rewards to participants for their contribution or would-be contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which any member of the Group holds any equity interests (the "Invested Entity").

(2) Participants

The participants include:

- a. any employee (whether full time or part time employee, including any executive director but not any non-executive director) of the Company, any of its subsidiaries or any Invested Entity;
- b. any non-executive director (including independent non-executive director) of the Company, any of its subsidiaries or any Invested Entity;
- c. any supplier of goods or services to any member of the Group or any Invested Entity;
- d. any customer of the Group or any Invested Entity;
- e. any person or entity that provides research, development or other technological support or other services to the Group or any Invested Entity;
- f. any shareholder or any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and
- g. any ex-employee who has contributed or may contribute to the development and growth of the Group and any Invested Entity.

(3) Total number of share options available for issue under the Scheme together with the percentage of the issued share capital as at 31 December 2005:

The total number of share options available for issue under the Scheme is 233,360,000 shares representing 1.17% of the issued share capital of the Company as at 31 December 2005.

(4) Maximum entitlement of each participant

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option scheme of the Company (including exercised, cancelled and outstanding options) to each participant in any 12-month period shall not exceed 1 per cent. of the issued share capital of the Company in issue. Any grant of further options above this limit shall be subject to certain requirements as stipulated in the rules of the Scheme.

(5) The period within which the shares must be taken up under an option.

Not applicable.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (continued)

- (6) Minimum period for exercising an option

The board of directors of the Company may at its discretion determine the minimum period for which an option must be held before it can be exercised.

- (7) The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made, or loans for such purposes must be paid.

The option shall be deemed to have been accepted when the duplicate letter duly signed by the grantee, together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof, is received by the Company. To the extent that the offer is not accepted within 28 days in the manner aforesaid, it will be deemed to have been irrevocable declined and lapsed automatically.

- (8) Basis of determining the subscription price

The subscription price for shares under the Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the share.

- (9) Remaining life of the Scheme

The Scheme will remain in force for a period of 10 years commencing on 29 August 2002 up to 28 August 2012.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation other than the statutory compensation.

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.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Group's business to which the Company, its subsidiaries, its holding companies or its fellow subsidiaries was a party, and in which any directors 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

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 31 December 2005, those persons (other than directors and chief executive of the Company) who had an interest or short position in the shares or underlying 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:

Name of person holding an interest in shares which has been disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO	Nature of interest	Number of shares in issue subject to long position	Approximate percentage of issued share capital of the Company	Notes
Kung Ai Ming	Family and Corporate interest	12,559,795,316	63.07%	1
CITIC Group	Corporate interest	786,230,000	3.95%	2
	Security interest	1,420,000,000	7.13%	
CITIC Capital Markets Holdings Limited	Corporate interest	786,230,000	3.95%	2
	Security interest	1,420,000,000	7.13%	
CITIC International Financial Holdings Limited	Corporate interest	786,230,000	3.95%	2
	Security interest	1,420,000,000	7.13%	
CITIC Pacific Limited	Corporate interest	786,230,000	3.95%	2
	Security interest	1,420,000,000	7.13%	
Golden Gateway Enterprises Inc.	Corporate interest	786,230,000	3.95%	2
	Security interest	1,420,000,000	7.13%	
Forever Glory Holdings Ltd.	Corporate interest	786,230,000	3.95%	2
	Security interest	1,420,000,000	7.13%	
Chen Peng Jing	Corporate interest	1,400,000,000	7.03%	3
	Beneficial interest	5,000,000	0.03%	3
Procure Group Limited	Beneficial interest	1,400,000,000	7.03%	3
Nan Hai	Corporate interest	12,515,795,316	62.85%	

Notes:

- Ms. Kung Ai Ming is the spouse of Mr. Yu and was taken to be interested in those shares in which Mr. Yu and herself (together with their respective corporate interests) held an interest.
- CITIC Capital Markets Holdings Limited was indirectly interested in 2,206,230,000 shares. CITIC Capital Markets Holdings Limited is indirectly held as to 50% by CITIC Pacific Limited and as to 50% by CITIC International Financial Holdings Limited. Both CITIC International Financial Holdings Limited and CITIC Pacific Limited are companies the shares of which are listed on the Stock Exchange and in which CITIC Group controls an approximately 56% and 28.8% interests respectively. Both Forever Glory Holdings Ltd. and Golden Gateway Enterprises Inc. are wholly-owned subsidiaries of CITIC Pacific Limited and are companies through which CITIC Pacific Limited holds its 50% interest in CITIC Capital Markets Holdings Limited. The interests held by CITIC Capital Markets Holdings Limited was included as part of the interests of Forever Glory Holdings Ltd., Golden Gateway Enterprises Inc., CITIC Pacific Limited, CITIC International Financial Holdings Limited and CITIC Group.
- Procure Group Limited is wholly-owned by Mr. Chen Peng Jing. Its interest in shares was included as part of the interest held by Mr. Chen Peng Jing.

Save as disclosed above, as at 31 December 2005, no person (other than a director and chief executive of the Company) had notified to the Company any interest or short position in the shares or underlying shares of the Company which was required to be recorded in the register kept by the Company under Section 336 of the SFO.

REPORT OF THE DIRECTORS

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of related party transactions and connected transactions of the Company and the Group are set out in note 47 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold or redeemed any of the Company's shares during the year.

PUBLIC FLOAT

Based on the publicly available information and to the best knowledge of the directors, the Company has maintained during the year sufficient public float as required under the Listing Rules.

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 34 and 39.

AUDIT COMMITTEE

The Audit Committee comprises all the independent non-executive directors of the Company. On 14 February 2006, Mr. Qin Tian Xiang ceased to be the chairman of the Audit Committee due to his re-designation as an executive director of the Company and Mr. Huang Yaowen was appointed independent non-executive director of the Company and chairman of the Audit Committee. The existing Audit Committee consists of three independent non-executive directors of the Company, namely Mr. Huang Yaowen, Mr. Chan Lap Stanley and Mr. Fung Wing Lap. The Audit Committee has reviewed with the auditors of the Company and the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited accounts for the year ended 31 December 2005.

AUDITORS

The financial statements for the year have been audited by Messrs Grant Thornton who retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming annual general meeting for the reappointment of auditors of the Company.

On behalf of the Board

Yu Pun Hoi

Chairman

Hong Kong, 20 April 2006