

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

### **PRINCIPAL ACTIVITIES**

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 36 to the financial statements.

### **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 26.

An interim dividend of 9 cents per share amounting to HK\$34,528,500 was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of 7 cents per share amounting to HK\$26,855,500 to the shareholders on the register of members on 25th May, 2006 and the retention of the remaining profit for the year.

### **INVESTMENT PROPERTY**

The investment property of the Group was revalued as at 31st December, 2005 as set out in note 16 to the financial statements. The resulting surplus arising on revaluation, which amounted to HK\$400,000, has been credited directly to the consolidated income statement.

### **PROPERTY, PLANT AND EQUIPMENT**

During the year, the Group acquired property, plant and equipment of approximately HK\$92,541,000.

Details of this and other movements in property, plant and equipment of the Group during the year are set out in note 17 to the financial statements.

### **SHARE CAPITAL**

Details of movements in the share capital of the Company during the year are set out in note 26 to the financial statements.

**DISTRIBUTABLE RESERVES OF THE COMPANY**

The Company's reserves available for distribution to shareholders as at 31 December 2005 were as follows:

	2005 HK\$'000	2004 HK\$'000
Contributed surplus	105,369	105,369
Retained earnings	97,063	86,255
	<b>202,432</b>	191,624

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

**SHARE OPTIONS**

At the 2003 Annual General Meeting, the Company's share option scheme adopted on 24th October, 1996 (the "Old Share Option Scheme") was terminated and a new share option scheme (the "New Share Option Scheme") was adopted in order to comply with the amendments to Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") in relation to share option scheme. Particulars of the share option schemes are set out in note 27 to the financial statements.

No share options were granted by the Company during the year. A summary of the movements in share options which were granted under the Old Share Option Scheme to certain eligible employees of the Group on 7th July, 2000 is as follows:

*SHARE OPTIONS (continued)*

	Outstanding at 1st January, 2005	Number of share options Exercised during the year	Outstanding at 31st December, 2005	Number of underlying shares at 31st December, 2005
Category: Directors				
Ng Hoi Ying, Michael	1,020,000	(1,020,000)	-	-
Ng Kim Ying	300,000	(300,000)	-	-
Lee Wai Chung	700,000	(700,000)	-	-
	2,020,000	(2,020,000)	-	-
Category: Employees	2,500,000	(2,500,000)	-	-
Total all categories	4,520,000	(4,520,000)	-	-

The above share options are exercisable between 7th July, 2000 and 23rd October, 2006 at an exercise price of HK\$0.88 per share. The closing prices of the Company's shares immediately before the dates on which the share options were exercised were HK\$2.575 and HK\$2.475, respectively. No further share options can be granted under the Old Share Option Scheme upon its termination.

Under the New Share Option Scheme, the maximum number of shares available for issue is 37,441,000 shares. No share options have been granted under the New Share Option Scheme since its adoption.

### DIRECTORS AND SERVICE CONTRACTS

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

#### Executive directors:

Ng Hoi Ying, Michael – *Chairman*  
Hui Pui Woon  
Ng Kim Ying  
Lee Wai Chung

#### Independent non-executive directors:

Francis George Martin  
Wong Chi Wai  
Chung Hil Lan Eric

In accordance with Bye-laws 87(1) and 87(2) of the Company's Bye-laws, Mr. Ng Hoi Ying, Michael, Ms. Hui Pui Woon and Mr. Lee Wai Chung will retire at the forthcoming annual general meeting 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.

Each of the independent non-executive director was appointed for a term of not more than three years and subject to the retirement by rotation in accordance with the Company's Bye-laws.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited. The Company considers all of the independent non-executive directors are independent.

### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

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

At 31st December, 2005, the interests and short positions 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 ("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 Companies, were as follows:

#### Shares in the Company (Long Position)

Name of director	Personal interests	Number of shares held		Total	Percentage of issued share capital of the Company
		Other interests			
Ng Hoi Ying, Michael	2,856,000	151,000,000		153,856,000	40.10%
		(Note a)			
Hui Pui Woon	-	36,682,000		36,682,000	9.56%
		(Note b)			
Ng Kim Ying	950,000	18,500,000		19,450,000	5.07%
		(Note c)			
Lee Wai Chung	1,750,000	-		1,750,000	0.46%

#### Notes:

- (a) These shares are held by Ratagan International Company Limited ("Ratagan"). The entire issued share capital of Ratagan is held by Trustcorp Limited ("Trustcorp") as trustee for The Arts 1996 Trust, a discretionary trust, the beneficiaries of which include Mr. Ng Hoi Ying, Michael and his family members. The parent company of Trustcorp, Newcorp Limited, its ultimate parent company Newcorp Holdings Limited, Mr. David Henry Christopher Hill, Ms. Rebacca Ann Hill and Mr. David William Roberts are also deemed to be interested in the issued share capital of Ratagan by virtue of their interests and deemed interests in Trustcorp.
- (b) These shares are held by Forever Up Group Limited ("Forever Up"). The entire issued share capital of Forever Up is owned by Fortune Smiles Limited which is wholly owned by HSBC International Trustee Limited as trustee for The Saying's Trust, a discretionary trust, the beneficiaries of which include Ms. Hui Pui Woon and her family members.
- (c) These shares are held by Universal Honour Developments Limited ("Universal Honour"). The entire issued share capital of Universal Honour is held by Trustcorp as trustee for The Optical 2000 Trust, a discretionary trust, the beneficiaries of which include Mr. Ng Kim Ying and his family members. The parent company of Trustcorp, Newcorp Limited, its ultimate parent company Newcorp Holdings Limited, Mr. David Henry Christopher Hill, Ms. Rebacca Ann Hill and Mr. David William Roberts are also deemed to be interested in the issued share capital of Universal Honour by virtue of their interests and deemed interests in Trustcorp.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

### Underlying shares in the Company (Share Options)

Details of the share options held by the Directors of the Company are shown under the heading "Share Options" above.

Save as disclosed above and other than certain nominee shares in subsidiaries held by Ratagan in trust for the Group, as at 31st December, 2005, none of the directors and their associates had any interests or short positions in any shares, underlying shares or debenture of the Company or any of its associated corporations.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the Old Share Option Scheme and the New Share Option Scheme disclosed under the heading "Share Options" 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 debentures of, the Company or any other body corporate. In addition, other than as disclosed above, none of the directors, or their spouse or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during the year.

### SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed under the heading "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, as at 31st December, 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

#### Shares in the Company (Long Position)

Name of shareholder	Number of shares held	Percentage of issued share capital of the Company
Veer Palthe Voûte NV	26,929,990 (Note)	7.02%
David Michael Webb	19,648,000	5.12%

Note: Allianz Aktiengesellschaft, Allianz Finanzbeteiligungs GmbH, Dresdner Bank Aktiengesellschaft and Dresdner Bank Luxembourg S.A., being the parent companies of Veer Palthe Voûte NV, are also deemed to be interested in the same parcel of 26,929,990 shares held by Veer Palthe Voûte NV under Part XV of the SFO.

Save as disclosed above, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO discloses no other person as having a notifiable interests or short positions in the issued share capital of the Company at 31st December, 2005.

### **MAJOR CUSTOMERS AND SUPPLIERS**

For the year ended 31st December, 2005, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 46% of the Group's total turnover and the amount of turnover attributable to the Group's largest customer was approximately 18% of the Group's total turnover. The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 33% of the Group's total purchases and the amount of purchases attributable to the Group's largest supplier was approximately 11% of the Group's total purchases.

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

### **CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS**

Other than the Old Share Option Scheme, the New Share Option Scheme and the exercise of share options during the year disclosed under the heading "Share Options" above and in note 27 to the financial statements, the Company had no outstanding convertible securities, options, warrants or other similar rights as at 31st December, 2005 and there has been no exercise of any other convertible securities, options, warrants or similar rights during the year.

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

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

### **EMOLUMENT POLICY**

The emolument policy of 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 benchmarked against comparable companies in Hong Kong.

The Company has adopted a share option scheme as an incentive to directors and eligible employees. Details of the scheme are set out in note 27 to the financial statements.

### PRE-EMPTIVE RIGHTS

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

### SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2005.

### CHARITABLE DONATION

During the year, the Group made charitable donation amounting to HK\$55,900.

### CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 21 to 24 of this Annual Report.

### AUDITORS

A resolution will be submitted to 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  
**Ng Hoi Ying, Michael**  
*Chairman*

Hong Kong, 11th April, 2006