

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated 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 44(i) to the consolidated 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.

The directors do not recommend the payment of a dividend for the year.

RESERVES

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 29.

Movements in the reserves of the Company during the year are set out in note 44(ii) to the consolidated financial statements.

INVESTMENT PROPERTIES

Majority of the investment properties of the Group were disposed of during the year. Details of movements in the investment properties of the Group during the year are set out in note 16 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DIRECTORS' REPORT

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31st December, 2005, the Company's reserves available for distribution consisted of contributed surplus of HK\$84,239,000 (2004: HK\$84,239,000) and retained profits of HK\$6,986,000 (2004: HK\$8,305,000).

Details of the Company's distributable reserves are set out in note 44(ii) to the consolidated financial statements.

DIRECTORS

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

Executive Directors

Mr. To Shu Fai (*Chairman*)

Mr. Fung Wa Ko (*Deputy Chairman*)

Mr. Tang Tsz Man, Philip

Independent Non-executive Directors

Mr. Tse Yuen Ming

Mr. Leung Chi Hung

Mr. Leung, Tsz Fung David Ferreira (appointed on 12th July, 2005)

Mr. Kwok Shun On (resigned on 12th July, 2005)

In accordance with Clause 86(2) and 87 of the Company's Bye-Laws, Messrs. Leung, Tsz Fung David Ferreira, Tse Yuen Ming and Leung Chi Hung, retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Independent non-executive directors are not appointed for a specific term. All directors (including independent non-executive directors), with the exception of the Chairman are subject to retirement by rotation in accordance with the Company's Bye-Laws.

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

At 31st December, 2005, the interests of the directors in the shares and share options of the Company, as recorded in the registers maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transaction by Directors of Listed Companies, were as follows:

Long positions

- (1) *Ordinary shares of HK\$0.01 each of the Company*

<u>Name of director</u>	<u>Capacity</u>	<u>Number of issued ordinary shares held</u>	<u>Percentage of the issued share capital of the Company</u>
Mr. To Shu Fai (<i>Note</i>)	Held by controlled corporations	2,023,231,329	67.44%

Note: The 2,023,231,329 shares are held by Top Synergy Associates Limited ("Top Synergy"), the ultimate holding company of the Company which is owned as to 50% by Vision Harvest Limited ("VHL") and as to 50% by Ever Achieve Enterprises Limited ("EAEL"). The entire issued share capital of VHL is owned by Mr. To Shu Fai. The entire issued share capital of EAEL is owned by Mr. Chung Chiu Pui, Ms. Foo Hang Luen, Monita, Ms. Lee Yun and Mr. Yuen Kin Wing in equal shares. Mr. To Shu Fai and Mr. Tang Tsz Man, Philip, the executive Directors, are also the directors of Top Synergy.

- (2) *Directors' interest in the Company's associated corporations*

<u>Name of Director</u>	<u>Name of associated corporation</u>	<u>Total interest</u>	<u>Percentage of total issued share capital</u>
Mr. To Shu Fai	VHL	1 share	100%
Mr. To Shu Fai	Top Synergy	1 share	50%

- (3) *Share options*

Particulars of the share option scheme of the Company are set out in note 31 to the consolidated financial statements.

No share option was outstanding as at 1st January, 2005 and 31st December, 2005 and no share option was granted under the share option scheme during the year.

DIRECTORS' REPORT

Other than the holdings disclosed above, none of the Company's directors, chief executives and their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations at 31st December, 2005.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or its ultimate holding company or any of its subsidiaries or fellow 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.

SUBSTANTIAL SHAREHOLDERS

At 31st December, 2005, to the best knowledge of the Directors or chief executives of the Company, the following parties (other than a Director or chief executive of the Company), had interests or short positions in the shares or underlying shares of the Company which are required to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or, who is expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long positions:

Name of Shareholder	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Top Synergy Associates Limited <i>(Note 1)</i>	2,023,231,329	67.44%
Vision Harvest Limited <i>(Note 1)</i>	2,023,231,329	67.44%
Ever Achieve Enterprises Limited <i>(Note 1)</i>	2,023,231,329	67.44%
Mr. Chung Chiu Pui <i>(Note 1)</i>	2,023,231,329	67.44%
Ms. Foo Hang Luen, Monita <i>(Note 1)</i>	2,023,231,329	67.44%
Ms. Lee Yun <i>(Note 1)</i>	2,023,231,329	67.44%
Mr. Yuen Kin Wing <i>(Note 1)</i>	2,023,231,329	67.44%
Ms. Hui Yin Man <i>(Note 2)</i>	2,023,231,329	67.44%
Ms. Chan Yee Wan <i>(Note 3)</i>	2,023,231,329	67.44%
Mr. Kwok Yuk Hei <i>(Note 4)</i>	2,023,231,329	67.44%
Mr. Jiu Ziang Hwa <i>(Note 5)</i>	2,023,231,329	67.44%
Ms. Tsang Yun Kiu <i>(Note 6)</i>	2,023,231,329	67.44%

DIRECTORS' REPORT

Note 1: The 2,023,231,329 shares are held by Top Synergy Associates Limited ("Top Synergy"), the ultimate holding company of the Company which is owned as to 50% by Vision Harvest Limited ("VHL") and as to 50% by Ever Achieve Enterprises Limited ("EAEL"). The entire issued share capital of VHL is owned by Mr. To Shu Fai. The entire issued share capital of EAEL is owned by Mr. Chung Chiu Pui, Ms. Foo Hang Luen, Monita, Ms. Lee Yun and Mr. Yuen Kin Wing in equal shares.

Note 2: Ms. Hui Yin Man is the spouse of Mr. To Shu Fai, being the sole shareholder of VHL and the executive Director. Accordingly, Ms. Hui Yin Man has a family interest in 2,023,231,329 shares of the Company.

Note 3: Ms. Chan Yee Wan is the spouse of Mr. Chung Chiu Pui, being one of the shareholders of EAEL. Accordingly, Ms. Chan Yee Wan has a family interest in 2,023,231,329 shares of the Company.

Note 4: Mr. Kwok Yuk Hei is the spouse of Ms. Foo Hang Luen, Monita, being one of the shareholders of EAEL. Accordingly, Mr. Kwok Yuk Hei has a family interest in 2,023,231,329 shares of the Company.

Note 5: Mr. Jiu Ziang Hwa is the spouse of Ms. Lee Yun, being one of the shareholders of EAEL. Accordingly, Mr. Jiu Ziang Hwa has a family interest in 2,023,231,329 shares of the Company.

Note 6: Ms. Tsang Yun Kiu is the spouse of Mr. Yuen Kin Wing, being one of the shareholders of EAEL. Accordingly, Ms. Tsang Yun Kiu has a family interest in 2,023,231,329 shares of the Company.

Save as disclosed above, the Directors or chief executives of the Company are not aware of any person (other than a Director or chief executive of the Company), who, as at 31st December, 2005, had interests or short positions in the shares or underlying shares of the Company which are required to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or, who is expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" below, no other contract of significance to which the Company or its ultimate holding company or any of its subsidiaries or fellow 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.

CONNECTED TRANSACTIONS

Daido Home International Limited ("DHIL"), a wholly-owned subsidiary of the Company, has rented an office from Metro Easy Investments Limited ("Metro Easy"), being a company wholly-owned by Man Fai Tai Holdings Limited, a company wholly-owned by Mr. To Shu Fai, a director of the Company. The office rental paid to Metro Easy by DHIL during the year was approximately HK\$627,000.

DIRECTORS' REPORT

The independent non-executive directors confirm that the transaction has been entered into by the Group in the ordinary course of its business, on normal commercial terms and in accordance with the terms of the agreement governing such transaction that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The office rent was charged at terms agreed by the parties concerned.

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 53% of the Group's total turnover and the turnover attributable to the Group's largest customer accounted for approximately 43% of the Group's total turnover.

The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 46% the Group's total purchases and the purchases attributable to the Group's largest supplier accounted for approximately 14% the Group's total purchases.

At no time during the year did a director, an associate of a director or a shareholder of the Company (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 suppliers or customers.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the management on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the remuneration committee, having regard to the Company's operating results, individual performance and comparable market statistics.

PRE-EMPTIVE RIGHTS

There are no provision 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.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 15 to 24.

DIRECTORS' REPORT

SUFFICIENCY OF PUBLIC FLOAT

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

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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. The Company considers all of the independent non-executive directors are independent.

POST BALANCE SHEET EVENT

Details of significant event occurring after the balance sheet date are set out in note 43 to the consolidated financial statements.

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

To Shu Fai

CHAIRMAN

21st April, 2006