

Directors' Report

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries consist of the generation and sale of electricity through the operation of a coal-fired electricity power plant (the "Power Plant"), located in Fujian Province, the People's Republic of China excluding Hong Kong (the "PRC"). There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2005 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 22 to 76.

The directors do not recommend the payment of a dividend.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment are set out in note 16 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 30 and 31, respectively, 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.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 3 and 4.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 32 to the financial statements and in the consolidated statement of changes in equity, respectively.

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DISTRIBUTABLE RESERVES

At 31 December 2005, the Company has no reserve available for cash distribution and/or distribution in specie as computed in accordance with the Companies Act 1981 of Bermuda (as amended). In addition, the Company's share premium account, in the amount of approximately HK\$150,321,000 at 31 December 2005, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the percentages of sales and purchases attributable to the Group's major customers and suppliers were as follows:

- (1) The amount of sales was attributed by one major customer.
- (2) The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 76% of the Group's total purchases for the year. The amount of purchases from the Group's largest supplier included therein represented approximately 32%.

As far as the directors are aware, neither the directors, their associates nor their shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers during the year.

DIRECTORS

The directors of the Company during the year were as follows:

Executive directors:

Mr. Chan Chun Keung
Mr. Chau On Ta Yuen
Mrs. Judy Leissner
Mr. Lam Chung Chak
Mr. Chan Kin
Mr. Li Wan Luk
Mr. Chan Lai Yin, Tommy

Independent non-executive directors:

Mr. Chan Kin Sang
Mr. Ng Wing Hang, Patrick
Mr. Wong Wai Kong

In accordance with clause 111 of the Company's Bye-laws, Mr. Chau On Ta Yuen, Mr. Lam Chung Chak and Mrs. Judy Leissner, will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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DIRECTORS' BIOGRAPHIES

Biographical details of the directors of the Company are set out on pages 7 to 9 of the 2005 annual report of the Company.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 36 to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2005, the interests and short positions of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept 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:

Long positions in ordinary shares of the Company

Name of director	Number of shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation		
Mr. Chan Chun Keung	2,758,000	7,754,250	95,160,000*	105,672,250	28.1

* The 95,160,000 shares are all held through Century Enterprise Investments Inc. ("Century Enterprise"), a company incorporated in the British Virgin Islands (the "BVI"). Century Enterprise is beneficially owned by Mr. Chan Chun Keung ("Mr. Chan"), City Corner Limited ("City Corner") in the ratios of approximately 79.5% and 20.5% respectively. City Corner is a company incorporated in the BVI with limited liability and whose entire issued share capital is beneficially held by Mr. Chan.

The interests of the directors in the share options of the Company are separately disclosed in note 31 to the financial statements.

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DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

Long positions in ordinary shares of a subsidiary of the Company

Name of director	Name of subsidiary	Shares	Number of shares held	Capacity and nature of interest	Percentage of equity interest
Mr. Chan Chun Keung	Concade Assets Limited	Ordinary shares	4,787,200	Through controlled corporations	40

Note: Concade Assets Limited is owned as to 8% by For Good Investments Limited ("For Good"), 16% by Splendour Investments Limited ("Splendour") and 16% by Halligan Profits Limited ("Halligan"). For Good, Splendour and Halligan were incorporated in the BVI and beneficially owned by Mr. Chan Chun Keung.

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, 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 for Securities Transactions by Directors of Listed Companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in note 31 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 of the Company's directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

At 31 December 2005, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Kwok Tat Kwong	Directly beneficially owned	42,578,416	11.3
Zaleski Helene	Directly beneficially owned	24,000,000	6.4
Blowin Limited [#]	Directly beneficially owned	37,586,280	10.0
Tanagra Holding B.V. [#]	Through a controlled corporation	37,586,280	10.0
Zygmunt Zaleski Stichting (Dutch Foundation) [#]	Through a controlled corporation	37,586,280	10.0

[#] Blowin Limited, a company wholly-owned by Tanagra Holding B.V. ("Tanagra"), held 37,586,280 ordinary shares of the Company. Tanagra is a wholly-owned subsidiary of Zygmunt Zaleski Stichting (Dutch Foundation).

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" 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.

PENSION SCHEME AND COSTS

Details of the Group's pension scheme and the employer's pension costs charged to the income statement for the year are set out in notes 3 and 8 to the financial statements, respectively.

In the opinion of the directors, the Group had no significant obligations for long service payments to its employees pursuant to the requirements under the Employment Ordinance, Chapter 57 of the Laws of Hong Kong, at 31 December 2005.

CONNECTED TRANSACTIONS

Details of the connected transactions are included in note 36 to the financial statements.

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DISCLOSURE OF ADVANCE TO AN ENTITY PURSUANT TO LISTING RULE 13.20 INVESTMENTS GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE (THE "LISTING RULES")

In accordance with the requirements of Rule 13.20 of the Listing Rules, the directors report the details of advances to Best Base Investments Limited ("Best Base") and United Force Development Limited ("United Force"), jointly controlled entities of the Group, as follows:

	Best Base <i>HK\$'000</i>	United Force <i>HK\$'000</i>
At 1 January 2005	24,189	38,434
Advance during the year	50	8,838
Repayment during the year	–	–
At 31 December 2005	24,239	47,272
% market capitalisation	28%	55%

The advances are unsecured, interest-free and are not repayable in the next twelve months.

The advances to Best Base and United Force represented investments made by the Group to finance the capital contributions of Best Base and United Force to their respective subsidiaries.

The following trade receivables as at 31 December 2005 exceeded 8% of the market capitalisation of the Group as at 31 December 2005:

	At 31 December 2005 <i>HK\$'000</i>	Market capitalisation %
Fujian Province Electric Power Company Limited ("Fujian Electric")	21,056	24%

The advance to Fujian Electric represented trade receivables arising from sale of electricity.

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AUDITORS

Grant Thornton retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

For and on behalf of the Board

Chan Chun Keung

Chairman

Hong Kong
24 April 2006