

REPORT OF THE DIRECTORS

The directors of the Company (the “Directors”) of the Group present their annual report and the audited financial statements for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 40 and 19 respectively to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2005 are set out in the consolidated income statement on page 28 of the annual report.

The directors do not recommend the payment of a dividend.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 30 to the financial statements.

PLANT AND EQUIPMENT

Details of movements in the plant and equipment of the Group during the year are set out in note 18 to the financial statements.

SHARE OPTION SCHEME

Details of share option scheme are set out in note 36 to the financial statements.

As at the date of this report, the total number of securities available for issue under the existing share option scheme (the “Option Scheme”) is 160,000,000 shares, representing 10% of the issued share capital of the Company.

For the year ended 31 December 2005, there was no movement in the number of shares under the Option Schemes. The remained outstanding shares was 114,095,000, representing 7.1% of the issued shares capital of the Company at that date.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (continued)

A summary of the Company's Option Scheme is as follows:

	Outstanding at 1 January 2005 and 31 December 2005
Executive director	
– Mr. Yen Chung Chuan (<i>Note a</i>)	2,080,000
Employees	57,590,000
Principal buyers (<i>Note b</i>)	43,680,000
Suppliers of services	10,745,000
Total	114,095,000

Notes:

- (a) Mr. Yen Chung Chuan resigned as an executive director of the Company on 7 December 2005. Subsequent to the resignation, Mr. Yen was an employee of one of the subsidiaries of the Company.
- (b) Principal buyers are the former employees of the Group.

Details of options granted are as follows:

Date of grant and vesting date	Exercise period	Closing price immediately before the date of grant HK\$	Exercise price per share HK\$
9 October 2003	10 October 2003 – 28 August 2011	0.38	0.3810
16 November 2004	17 November 2004 – 28 August 2011	0.21	0.2166

REPORT OF THE DIRECTORS

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors:

Mr. Yu Pen Hung

Ms. Lee Ran, Elizabeth (appointed on 8 February 2006)

Mr. Chen Chih Ming (appointed on 7 December 2005 and resigned on 8 February 2006)

Mr. Yu Chi Ming, Federick (resigned on 31 January 2005)

Mr. Yen Chung Chuan (resigned on 7 December 2005)

Independent Non-Executive Directors:

Dr. Liu James Juh

Ms. Hu Gin Ing

Mr. Yim Hing Wah

In accordance with the provisions of the Company's Articles of Association, Ms. Lee Ran, Elizabeth and Dr. Liu James Juh will retire at the forthcoming annual general meeting of the Company (the "AGM") and, being eligible, offers themselves for re-election.

All of the executive directors except Ms. Lee Ran, Elizabeth and Mr. Chen Chih Ming have entered into a service agreement with the Company under which they are to act as executive directors for an initial term of two years commencing from 1 September 2001 and shall continue thereafter until terminated by either party giving to the other not less than three calendar months' notice in writing. All executive directors may also be entitled to a management bonus provided that the aggregate amount of the bonuses payable to all the executive directors for any financial year of the Company may not exceed 5% of the audited consolidated or combined net profit of the Group after taxation, minority interests and payment of such bonuses but excluding extraordinary items in respect of that financial year of the Group subject to review by the Remuneration Committee.

Each of the independent non-executive directors was appointed in accordance of the Company's Articles of Association.

Save as disclosed above, 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.

REPORT OF THE DIRECTORS

CONFIRMATIONS OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the three independent non-executive directors on annual confirmation of his/her independence as required under Rule 3.13 of Chapter 3 of the Rules Governing of the Listing Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and considers all the independent non-executive directors are independent.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2005, the interests of the Directors and chief executives and their associates in the shares, underlying shares and debentures of the Company and its associated corporations within the meaning of the Securities and Futures Ordinance (the "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:

Long positions

Ordinary shares of HK\$0.01 each of the Company

Name of director	Capacity	Number of shares held	Percentage of the issued share capital of the Company
Mr. Yu Pen Hung	Held by controlled corporation	1,200,000,000 (<i>note</i>)	75%

Note: These shares are held by E-Career Investments Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Yu Pen Hung.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

In addition to the above, a Director held interests in the non-voting deferred shares of a wholly-owned subsidiary of the Company as at 31 December 2005 as follows:

Name of subsidiary	Name of director	Number of non-voting deferred shares held
Artel Industries Limited	Mr. Yu Pen Hung	6,400,000 shares of HK\$1 each

Other than as disclosed above and certain nominee shares in subsidiaries held by the Directors in trust for the Group, none of the Directors or chief executives, or their associates, had any relevant interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2005.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its holding company or any of its subsidiaries, a party to any arrangement to enable the Company's directors or chief executives or their respective spouses or children under the age of 18 or their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company, its holding 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.

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the top five highest paid individuals of the Group are set out in note 11 to the financial statements.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, in addition to those interests as disclosed above in respect of the Directors, the following shareholders had notified the Company of relevant interests in 5% or more of the issued share capital of the Company:

Name	Number of shares held	Approximate percentage of holding
E-Career Investments Limited (<i>note</i>)	1,200,000,000	75%

Note: The entire issued share capital of E-Career Investments Limited is beneficially owned by Mr. Yu Pen Hung. Both E-Career Investments Limited and Mr. Yu Pen Hung are therefore deemed to have the duplicate interests in the 1,200,000,000 shares of the Company.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2005.

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
Share premium	122,357	122,357
Contributed surplus	112,369	112,369
(Accumulated losses) retained profits	(250,733)	81
	(16,007)	234,807

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium and contributed surplus of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Articles of Association, dividends shall be distributed out of the retained profits or other reserves, including the share premium and contributed surplus account, of the Company.

REPORT OF THE DIRECTORS

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, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted share option schemes as an incentive to directors and eligible employees, details of the schemes are set out in note 36 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest suppliers of the Group in aggregate accounted for about 99% of its purchases for the year. Purchases from the largest supplier accounted for about 91% of its purchases.

None of the Directors, their respective associates, or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) has any interest in any of the five largest suppliers of the Group for the financial year ended 31 December 2005.

The aggregate turnover attributable to the Group's five largest customers taken together were less than 30% of the Group's total turnover for the year.

PRE-EMPTIVE RIGHTS

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

RETIREMENT BENEFITS SCHEME

Details of the retirement benefits schemes maintained by the Group are set out in note 37 to the financial statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors is interested in any business apart from the Group's business, which competes or is likely to compete either directly or indirectly with business of the Group.

REPORT OF THE DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficiency public float throughout the year ended 31 December 2005.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 39 to the financial statements.

AUDITORS

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

CHAIRMAN

Hong Kong, 27 April 2006