

## Report of Directors

The Directors present their annual report and the audited consolidated financial statement of the Company for the year ended 31 December 2005.

### PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 40 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 30 of the annual report.

The Directors do not recommend the payment of any final dividend.

### FINANCIAL SUMMARY

A summary of the consolidated results and of the assets and liabilities of the Group for the last five financial years is set out on page 76.

### INVESTMENT PROPERTIES

The Group's investment properties were revalued as at 31 December 2005, as set out in note 16 to the consolidated financial statements.

### PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2005 are set out in note 17 to the consolidated financial statements.

### SHARE CAPITAL

Details of the share capital of the Company are set out in note 31 to the consolidated financial statements.

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### SHARE OPTION SCHEME

Particulars of the Company's shares option scheme are set out in note 32 to the consolidated financial statements.

Details of the options which have been granted to the following category of participants under the share option scheme during the year ended 31 December 2005 are as follows:

#### Outstanding options at 1 January 2005 and 31 December 2005

Category of Participants	Date of grant	Exercisable period	Subscription price per share (HK\$)	Number of options	
				Outstanding at 01/01/2005	Outstanding at 31/12/2005
Directors	11/10/2004	11/10/2004 to 10/10/2014	0.10	8,000,000	8,000,000
	11/10/2004	11/10/2004 to 10/10/2014	0.13	3,000,000	3,000,000
Employee/Other Participants	11/10/2004	11/10/2004 to 10/10/2014	0.10	5,000,000	5,000,000
	11/10/2004	11/10/2004 to 10/10/2014	0.13	6,408,000	6,408,000

During the year under review, no share options were granted, exercised, cancelled or lapsed.

The share options granted are not recognized in the consolidated financial statements until they are exercised. The Directors of the Company consider it is not appropriate to disclose the value of the share options granted during the year under the Scheme since any valuation of the share options would be subject to a number of assumptions that would be subjective and uncertain. The Directors of the Company believe that the evaluation of share options based upon speculative assumptions would not be meaningful and would be misleading.

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### DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

#### **Executive Directors:**

Wong Shu Wing

Choi Tat Kai

Lau Kit Hung

Kwan Kim Fai Stanley (*resigned on 28 February 2006*)

#### **Independent non-executive Directors:**

Yeung Ming Tai

Chang Kin Man

Wong Lai Ying Cecilia (*appointed on 1 March 2006*)

Lau Chung Kwan (*resigned on 28 February 2006*)

In accordance with the provisions of the Company's Articles of Association, Mr. Lau Kit Hung and Md. Wong Lai Ying Cecilia will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. The remaining Directors shall remain in office.

Each of the executive directors has entered into a service agreement with the Company under which they act as executive directors for an initial term of three years (as to Mr. Wong Shu Wing), two years (as to that of Mr. Kwan Kim Fai Stanley) and one year (as to that of Mr. Choi Tat Kai and Mr. Lau Kit Hung) respectively commencing from 3 March 2003 and shall continue thereafter from year to year until terminated by either party with three months' notice in writing served on the other side. All the Executive Directors except the Chairman of the Board are subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years in accordance with the Company's Articles of Association. Under the service agreements, the executive Directors, Mr. Wong Shu Wing, Mr. Kwan Kim Fai, Stanley, Mr. Choi Tat Kai and Mr. Lau Kit Hung are entitled to monthly salaries of HK\$70,000, HK\$60,000, HK\$56,000 and HK\$39,000 with no bonus respectively during the year review. All the executive directors are entitled to all reasonable out-of-pocket expenses and medical benefits/insurance on terms to be agreed with the Company. Mr. Kwan Kim Fai, Stanley resigned due to his personal reason on 28 February 2006.

Each independent non-executive directors has entered into a service agreement with the Company for an initial term of one year commencing from 3 March 2003 (as to Mr. Lau Chung Kwan and Mr. Yeung Ming Tai), from 24 June 2004 (as to Mr. Chang Kin Man) and from 1 March 2006 (as to Md. Wong Lai Ying Cecilia) shall continue thereafter from year to year until terminated by either party with one month's notice in writing served on the other side. They are subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years in accordance with the Company's Articles of Association. Under the service agreements, each of the independent non-executive directors are entitled to the fee of HK\$50,000 per year. Mr. Lau Chung Kwan resigned due to his personal reason on 28 February 2006 and Md. Wong Lai Ying Cecilia was appointed in place effective from 1 March 2006.

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Save as disclosed above, none of 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.

The Company has received annual confirmation from each of the Independent Non-executive Directors as regards their independence to the Company and considers that each of the Independent Non-executive Directors is independent to the Company.

## DIRECTORS' INTERESTS IN SHARES

At 31 December 2005, the issued share capital of the Company consisted of ordinary shares and the interests and short positions of Directors and the Chief Executive of the Company in the shares, underlying shares 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 Company's register kept under Section 352 of the SFO as follows:

### Interest in the Company's shares

Name	Capacity, Nature of interest	Number of shares held		Percentage of the issued share capital of the Company
		Long Position	Short Position	
Wong Shu Wing	Corporate	204,000,000 <i>(Note 1)</i>	–	43%
Kwan Kim Fai Stanley <i>(Note 2)</i>	Personal	36,000,000	–	8%

*(Note 1):* These shares are held by Best Eagle International Limited, a company incorporated in the British Virgin Islands ("BVI") and wholly owned by Mr. Wong Shu Wing.

*(Note 2):* Mr. Kwan Kim Fai Stanley resigned from Executive Director on 28 February 2006.

Other than as disclosed above, none of the directors or chief executives, nor their associates, had any interests or short positions in any shares of the Company or any of its associated corporations as at 31 December 2005.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the issue of shares of the Company pursuant to the Corporate organization mentioned 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, and none of directors, or their spouses or children under the age of 18, had right to subscribe for the securities of the Company, or had exercised any such right during the year.

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### 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 31 December 2005 or at any time during the year then ended.

### SUBSTANTIAL SHAREHOLDERS

At 31 December 2005, in accordance with the register of substantial shareholders kept by the Company pursuant to Section 336 of the SFO and so far as is known to the Directors, the following persons (other than a Director or Chief Executive of the Company) were interested in the issued capital (including short positions) representing 5% or more of the issued share capital:

Name	Capacity, Nature of interest	Number of shares held		Percentage of the issued share capital of the Company
		Long Position	Short Position	
Best Eagle				
International Ltd. (Note 1)	Corporate	204,000,000	–	43%
Wong Shu Wing (Note 1)	Personal	204,000,000	–	43%
D & M International Limited (Note 2)	Corporate	60,000,000	–	13%
Leung Yu Ming, Steven (Note 2)	Personal	60,000,000	–	13%
Kwan Kim Fai Stanley	Personal	36,000,000	–	8%

(Notes 1): The entire issued share capital of Best Eagle International Ltd. is beneficially owned by Mr. Wong Shu Wing. Therefore both Best Eagle International Ltd. and Mr. Wong Shu Wing are deemed to have the duplicate interests in the share capital of the Company under the SFO.

(Notes 2): The entire issued share capital of D & M International Limited is beneficially owned by Mr. Leung Yu Ming, Steven. Therefore both D & M International Limited and Mr. Leung Yu Ming, Steven are deemed to have the duplicate interests in the share capital of the Company under the SFO.

Save as disclosed herein, as at 31 December 2005, no other person was recorded in the Company's register maintained by the Company pursuant to Section 336 of the SFO as having an interest in the issued share capital of the Company representing 5% or more of the issued capital.

Save as disclosed herein, the Directors are not aware of any person other than the persons (including his personal, family and corporate interests) as aforementioned, who had, directly or indirectly, an interest in the issued capital (including short positions) representing 5% or more of the issued capital as at 31 December 2005.

### MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2005, the five largest customers of the Group in aggregate accounted for about 26.3% of the turnover of the Group and the largest customer accounted for about 5.0% of the total turnover.

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The five largest suppliers of the Group in aggregate accounted for about 42.0% of its purchases for the year. Purchases from the largest supplier accounted for about 13.0% of its purchases.

At no time during the year, none of the directors, their respective associates, or any shareholders (which to the knowledge of the directors owned more than 5% of the Company's share capital) has any interest in any of the five largest customers and the five largest suppliers of the Group.

## RETIREMENT BENEFITS SCHEMES

The Group makes mandatory contributions to Mandatory Provident Fund Scheme for its staff in Hong Kong and retirement plans for those staff in other jurisdictions.

## POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 39 to the financial statements.

## 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.

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Company, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

## CHARITABLE DONATIONS

During the year, the Group made charitable donation of HK\$11,000 (2004:Nil).

## AUDITORS

The consolidated financial statements for the financial year ended 31 December 2005 have been audited by Deloitte Touche Tohmatsu who will retire upon conclusion of the forthcoming annual general meeting. Deloitte Touche Tohmatsu offers for re-appointment as auditors at the forthcoming Annual General Meeting.

On behalf of the Board

**Wong Shu Wing**

*Chairman*

Hong Kong  
25 April 2006