

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

PRINCIPAL ACTIVITIES

The principal activities of the Company is investment holding. The principal activities and other particulars of the subsidiaries, associates and jointly controlled entities are set out in notes 17, 18 and 19 to the financial statements respectively.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activities and geographical area of operations for the year ended 31 December 2005 is set out in note 6 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2005 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 26 to 28. The directors do not recommend the payment of any dividend in this year (2004: nil).

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 31 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in property, plant and equipment of the Company and the Group and the investment property of the Group are set out in notes 14 and 16 to the financial statements, respectively.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in share capital and share options of the Company during the year, together with the reasons therefore, are set out in notes 29 and 30 to the financial statements, respectively.

DISTRIBUTABLE RESERVES

Loss for the year attributable to equity holders of the Company of HK\$23,251,000 (2004 (restated): HK\$11,822,000) has been transferred to reserves. At 31 December 2005, the Company has no reserve available for distribution as calculated in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the aggregate turnover attributable to the five largest customers of the Group accounted for approximately 100% of the Group's total turnover for the year and sales to the largest customer included therein amounted to approximately 100% of the Group's total turnover.

The aggregate purchases from the five largest suppliers of the Group accounted for approximately 100% of the Group's total purchases for the year and purchases from the largest supplier included therein amounted to approximately 100% of the Group's total purchases.

As far as the directors are aware, neither the directors, their associates nor any shareholder of the Company (which, to the best of knowledge of the directors, owns more than 5% of the Company's share capital) had any beneficial interest in these major customers and suppliers.

DIRECTORS

The directors who held office during the year and up to the date of this report were:

Executive directors

Cheung Siu Lam (*Chairman*)
Chan Yuk Ming (*Vice-chairman*)
Lo Wan

Non-executive director

Yu Hei Wung, Raymond (*Note*)

Independent non-executive directors

Wang Jian Sheng
Chan Chun Keung
Tang Tse Yee, Kennedy

Note: Mr. Yu Hei Wung, Raymond has been re-designated from executive director to non-executive director of the Company with effect from 1 August 2005.

In accordance with article 105(A) of the Company's Articles of Association, Madam Lo Wan and Mr. Chan Chun Keung will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. The directors of the Company, including the independent non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Articles of Association and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules").

DIRECTORS' SERVICE CONTRACTS

The non-executive director, Mr. Yu Hei Wung, Raymond, has entered into a service contract with the Company for one year commencing on 1 August 2005 and is subject to retirement by rotation and re-election at the general meeting of the Company in accordance with the Articles of Association of the Company.

All the independent non-executive directors, namely Wang Jian Sheng, Chan Chun Keung and Tang Tse Yee, Kennedy entered into service contracts with the Company respectively for a term of one year commencing on 9 September 2005 and are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association of the Company.

Either party may terminate the contract by giving not less than two months' notice in writing or payment of remuneration in lieu of such notice or the unexpired part of such period. Their remuneration is determined by the board of directors on the anniversary of the dates of their appointments.

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31 December 2005, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or its associated corporation (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 Part XV 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 Transaction by Directors of Listed Companies ("Model Code"), were as follows:

Long positions in shares and underlying shares of the Company

Name of Director	Capacity	Number of ordinary shares held	Underlying shares interested (Note 1)	Aggregate long position in shares and underlying shares to issued share capital
Cheung Siu Lam	Beneficial owner of 459,044,240 ordinary shares and 1,000,000 underlying shares, family interest of 32,282,000 ordinary shares and 1,000,000 underlying shares (Note 2) and interest in controlled corporation of 86,400,000 ordinary shares (Note 3)	577,726,240	2,000,000	57.06%
Lo Wan	Beneficial owner of 32,282,000 ordinary shares and 1,000,000 underlying shares, family interest of 545,444,240 ordinary shares and 1,000,000 underlying shares (Note 4)	577,726,240	2,000,000	57.06%
Chan Yuk Ming	Beneficial owner	–	10,000,000	0.98%
Yu Hei Wung, Raymond	Beneficial owner	–	7,000,000	0.68%

Notes:

- The number of shares represents the shares in which the directors are deemed to be interested as a result of holding share options.
- By virtue of the SFO, Cheung Siu Lam is deemed to be interested in 32,282,000 ordinary shares and 1,000,000 underlying shares held by Lo Wan.
- Arbalice Holdings Limited is beneficially owned as to 60% by Cheung Siu Lam, 27.5% by Lo Wan and 12.5% by Zhang Wei. By virtue of the SFO, Cheung Siu Lam is deemed to be interested in 86,400,000 shares held by Arbalice Holdings Limited.
- By virtue of the SFO, Lo Wan is deemed to be interested in 545,444,240 ordinary shares including 459,044,240 shares held by Cheung Siu Lam as a beneficial owner and 86,400,000 shares held by Cheung Siu Lam through his interest in Arbalice Holdings Limited and 1,000,000 underlying shares held by Cheung Siu Lam.

Save as disclosed above, none of the Directors, chief executives or any of their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations were recorded in the register required to be kept under Section 352 of the SFO as at 31 December 2005.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the headings "Directors' interests in share capital" above and "Share option scheme" below, 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 director or their respective spouse or children under 18 years of age, 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.

INTERESTS IN SUBSTANTIAL SHAREHOLDERS

As at 31 December 2005, the following company and person were interested in more than 5% of the issued share capital of the Company according to the register kept by the Company under Section 336 of the SFO:

Long positions in shares and underlying shares of the Company

Name	Capacity	Number of ordinary shares held	Underlying shares interested	Aggregate long position in shares and underlying shares to issued share capital
Cheung Siu Lam	Beneficial owner of 459,044,240 ordinary shares and 1,000,000 underlying shares, family interest of 32,282,000 ordinary shares and 1,000,000 underlying shares and interest in controlled corporation of 86,400,000 ordinary shares	577,726,240	2,000,000	57.06%
Lo Wan	Beneficial owner of 32,282,000 ordinary shares and 1,000,000 underlying shares, family interest of 545,444,240 ordinary shares and 1,000,000 underlying shares	577,726,240	2,000,000	57.06%
Arbalice Holdings Limited (Note)	Beneficial owner	86,400,000	–	8.50%

Note: The above interest in the name of Arbalice Holdings Limited was also disclosed as interests of Cheung Siu Lam in the sections of "Directors' interests in share capital" and "Interests in substantial shareholders".

Save as disclosed above, no person had registered an interest or a short position in the shares and underlying shares or debentures of the Company that was required to be recorded under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted a new share option scheme on 7 June 2004 (the "New Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

A summary of the New Scheme of the Company is as follows:

Purpose	To provide incentives and rewards to eligible participants for their contributions to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds an equity interest (the "Invested Entity").
Participants	<ul style="list-style-type: none">(i) any employee (whether full-time or part-time), executive directors, non-executive directors and independent non-executive directors of the Company, any of its subsidiaries or any Invested Entity;(ii) any supplier of goods or services to any member of the Group or any Invested Entity; any customer of the Group or any Invested Entity; any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and(iii) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity.
Total number of ordinary shares available for issue under the New Scheme and the percentage of the issued share capital that it represents as at the date of the annual report	69,587,733 ordinary shares and 6.85% of the existing issued share capital.
Maximum entitlement of each participant	Where any grant or further grant of options to a participant would result in the total number of shares issued and to be issued upon exercise of all the options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12 month period up to and including the date of such grant or further grant representing in aggregate over 1% of the total number of shares in issue, such grant or further grant must be separately approved by the shareholders in a general meeting.

Where any grant or further grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including exercised, cancelled and outstanding options) to such person in the 12 month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% of the relevant class of shares in issue; and
- (b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK\$5,000,000,

such grant or further grant of options must be approved by the shareholders in a general meeting.

Period within which the securities must be taken up under an option

An option may be exercised at any time during a period to be determined and notified by the directors to each grantee, but shall end in any event not later than 10 years from the date of offer of the grant of options subject to the provisions for early termination set out in the New Scheme.

Minimum period for which an option must be held before it can be exercised

There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the directors.

Amount payable on acceptance of the option and the period within which such payment must be made

The offer of a grant of share options may be accepted with 28 days from the date of the offer with a consideration of HK\$1.00 being payable by the grantee.

Basis of determining the exercise price

Determined by the directors but shall not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of offer of grant of options, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of grant of options; and (iii) the nominal value of the Company's shares.

The remaining life of the New Scheme

The New Scheme remains in force until 6 June 2014.

Report of the Directors

During the year ended 31 December 2005, the Company has granted 99,500,000 share options to certain directors and employees. Details of the share options granted under the New Scheme are as follows:

Director	Date of offer	Exercise price	Outstanding at 1.1.2005	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31.12.2005	Exercise period	Closing price of the securities immediately before the date on which the options were offered
Cheung Siu Lam	02.02.05	0.138	-	1,000,000	-	-	1,000,000	02.02.05-06.06.14	0.131
Lo Wan	02.02.05	0.138	-	1,000,000	-	-	1,000,000	02.02.05-06.06.14	0.131
Chan Yuk Ming	02.02.05	0.138	-	10,000,000	-	-	10,000,000	02.02.05-06.06.14	0.131
Yu Hei Wung, Raymond	02.02.05	0.138	-	7,000,000	-	-	7,000,000	02.02.05-06.06.14	0.131
Employees in aggregate	10.01.05	0.126	-	48,500,000	-	-	48,500,000	10.01.05-06.06.14	0.126
	01.09.05	0.156	-	32,000,000	-	-	32,000,000	01.09.05-06.06.14	0.156

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its listed securities during the year ended 31 December 2005. Neither the Company nor any of its subsidiaries have purchased, sold any of the Company's listed securities during the year ended 31 December 2005.

RETIREMENT SCHEMES

The Group also operates a Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance, and participates in various defined contribution retirement plans organised by the relevant authorities for its employees in the PRC.

AUDITORS

The financial statements have been audited by CCIF CPA Limited, Certified Public Accountants. A resolution for their re-appointment as the Company's auditors for the ensuing year is to be proposed at the forthcoming Annual General Meeting.

On behalf of the board

Cheung Siu Lam

Chairman and Chief Executive Officer

Hong Kong, 20 April 2006