
Report of Directors

The directors 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 activities of its principal subsidiaries and associates are set out in note 39.

During the year, the Group acquired 60% equity interest in SNP Yau Yue Paper Products Limited, a company engaged in manufacture and trading of packaging products, for a total consideration of approximately HK\$68.4 million.

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 46.

An interim dividend of HK2 cents per ordinary share, amounting to approximately HK\$10,068,000, was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK3 cents per ordinary share to the shareholders on the register of members on 17 March 2006 amounting to HK\$15,102,000 and the retention of the remaining profit for the year of HK\$45,198,000.

PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS

Details of movements in the property, plant and equipment and prepaid lease payments during the year are set out in notes 14 and 15 to the financial statements, respectively.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 29 to the financial statements.

In order to finance the Group's expansion and general operations, the Company issued 100,681,729 ordinary shares of HK\$0.1 each, by way of rights issue for consideration of HK\$1.2 per share. The rights issue was closed on 14 July 2005, on the basis of one new share for every four ordinary shares then held. The new shares rank pari passu with the existing shares in all respects.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and restated and reclassified as appropriate, is set out on page 102. This summary does not form part of the audited financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2005, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended), amounted to HK\$264,509,000, of which HK\$15,102,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK\$435,397,000, may be distributed in the form of fully paid bonus shares.

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MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers accounted for approximately 17% of the Group's total turnover for the year. The five largest suppliers accounted for approximately 36% of the Group's total purchases for the year and the largest supplier accounted for approximately 20% of the total purchases.

None of the directors, their associates, or any shareholder (which to the knowledge of the directors own more than 5% of the Company's issued share capital) has any interest in the Group's five largest suppliers.

DIRECTORS

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

Executive directors:

Peter, Yang Sze Chen	(Chairman)
Yeo Chee Tong	(Chief Executive Officer)

Non-executive directors:

Tay Siew Choon	
Frank, Wong Kwong Shing	(resigned on 6 January 2005)

Independent non-executive directors:

Edmund, Cheng Wai Wing	
Kyle Arnold Shaw, Jr.	(retired on 28 February 2005)
John Robert Walter	
Joseph, Lai Ming	
Alice, Kan Lai Kuen	(appointed on 1 April 2005)

Pursuant to Clause 89 of the Company's Bye-Laws, Ms. Alice, Kan Lai Kuen, who was appointed by the Board on 1 April 2005, will retire at the Company's forthcoming Annual General Meeting ("AGM").

In accordance with Clause 97 of the Company's Bye-Laws, Mr. Peter, Yang Sze Chen and Mr. Tay Siew Choon, existing directors of the Company, will retire from office by rotation at the AGM.

It is noted that Mr. Tay Siew Choon will not offer himself for re-election at the AGM whereas the other two retiring directors, Mr. Peter, Yang Sze Chen and Ms. Alice, Kan Lai Kuen, being eligible, will offer themselves for re-election at the AGM.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming AGM has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

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DIRECTORS' INTERESTS IN SHARES AND OPTIONS

As at 31 December 2005, the interests of the directors in the shares and share options of the Company and its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (Cap 571) ("SFO") as recorded in the register maintained under Section 352 of Part XV of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), were as follows:

(1) Long positions in shares and underlying shares of the Company

(a) Ordinary shares of HK\$0.10 each of the Company

Name of director	Capacity	Number of shares held	Percentage of issued share capital as at 31 December 2005
Peter, Yang Sze Chen	Beneficial owner	900,000	0.18%
	Held by controlled corporation (<i>Note</i>)	16,514,867	3.28%
		17,414,867	3.46%

Note: These shares were held through Team Long Development Limited, a company that was wholly owned by Mr. Peter, Yang Sze Chen.

(b) Share options of the Company

Name of director	Capacity	Number of share options held	Number of underlying shares
Yeo Chee Tong	Beneficial owner	1,725,000	1,725,000

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DIRECTORS' INTERESTS IN SHARES AND OPTIONS *(continued)*

(2) Long positions in shares and underlying shares of the associated corporation of the Company, SNP Corporation Ltd ("SNP")

(a) Ordinary shares of S\$0.50 each of SNP

Name of directors	Capacity	Number of shares held	Percentage of issued share capital as at 31 December 2005
Yeo Chee Tong	Beneficial owner	1,086,553	0.93%
	Held by spouse	111,500	0.10%
		1,198,053	1.03%
Edmund, Cheng Wai Wing	Beneficial owner	35,000	0.03%
		1,233,053	1.06%

(b) Share options of SNP

Name of directors	Capacity	Number of share options held	Number of underlying shares	Exercise price S\$	Exercisable period
Peter, Yang Sze Chen	Beneficial owner	1,250	1,250	1.29	15 October 2004 to 14 October 2013
		1,250	1,250	1.29	15 October 2005 to 14 October 2013
		1,250	1,250	1.29	15 October 2006 to 14 October 2013
		1,250	1,250	1.29	15 October 2007 to 14 October 2013
		5,000	5,000	0.83	21 October 2005 to 20 October 2014
		5,000	5,000	0.83	21 October 2006 to 20 October 2014
		5,000	5,000	0.83	21 October 2007 to 20 October 2014
		5,000	5,000	0.83	21 October 2008 to 20 October 2014
		2,750	2,750	0.90	19 April 2006 to 18 April 2015
		2,750	2,750	0.90	19 April 2007 to 18 April 2015
		2,750	2,750	0.90	19 April 2008 to 18 April 2015
		2,750	2,750	0.90	19 April 2009 to 18 April 2015
		2,750	2,750	0.92	27 October 2006 to 26 October 2015
		2,750	2,750	0.92	27 October 2007 to 26 October 2015
2,750	2,750	0.92	27 October 2008 to 26 October 2015		
2,750	2,750	0.92	27 October 2009 to 26 October 2015		
		47,000	47,000		

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DIRECTORS' INTERESTS IN SHARES AND OPTIONS (continued)

(2) Long positions in shares and underlying shares of the associated corporation of the Company, SNP Corporation Ltd ("SNP") (continued)

(b) Share options of SNP (continued)

Name of directors	Capacity	Number of share options held	Number of underlying shares	Exercise price S\$	Exercisable period
Yeo Chee Tong	Beneficial owner	10,000	10,000	0.50	23 April 2002 to 22 April 2011
		10,000	10,000	0.50	23 April 2003 to 22 April 2011
		10,000	10,000	0.50	23 April 2004 to 22 April 2011
		10,000	10,000	0.50	23 April 2005 to 22 April 2011
		10,000	10,000	0.50	11 October 2002 to 10 October 2011
		10,000	10,000	0.50	11 October 2003 to 10 October 2011
		10,000	10,000	0.50	11 October 2004 to 10 October 2011
		10,000	10,000	0.50	11 October 2005 to 10 October 2011
		20,000	20,000	0.69	17 April 2006 to 16 April 2012
		20,000	20,000	0.61	23 October 2005 to 22 October 2012
		20,000	20,000	0.61	23 October 2006 to 22 October 2012
		20,000	20,000	0.59	15 April 2004 to 14 April 2013
		20,000	20,000	0.59	15 April 2005 to 14 April 2013
		20,000	20,000	0.59	15 April 2006 to 14 April 2013
		20,000	20,000	0.59	15 April 2007 to 14 April 2013
		20,000	20,000	1.29	15 October 2004 to 14 October 2013
		20,000	20,000	1.29	15 October 2005 to 14 October 2013
		20,000	20,000	1.29	15 October 2006 to 14 October 2013
		20,000	20,000	1.29	15 October 2007 to 14 October 2013
		20,000	20,000	1.19	21 April 2005 to 20 April 2014
		20,000	20,000	1.19	21 April 2006 to 20 April 2014
		20,000	20,000	1.19	21 April 2007 to 20 April 2014
		20,000	20,000	1.19	21 April 2008 to 20 April 2014
		20,000	20,000	0.83	21 October 2005 to 20 October 2014
		20,000	20,000	0.83	21 October 2006 to 20 October 2014
		20,000	20,000	0.83	21 October 2007 to 20 October 2014
		20,000	20,000	0.83	21 October 2008 to 20 October 2014
		37,500	37,500	0.90	19 April 2006 to 18 April 2015
		37,500	37,500	0.90	19 April 2007 to 18 April 2015
		37,500	37,500	0.90	19 April 2008 to 18 April 2015
37,500	37,500	0.90	19 April 2009 to 18 April 2015		
37,500	37,500	0.92	27 October 2006 to 26 October 2015		
37,500	37,500	0.92	27 October 2007 to 26 October 2015		
37,500	37,500	0.92	27 October 2008 to 26 October 2015		
37,500	37,500	0.92	27 October 2009 to 26 October 2015		
		760,000	760,000		

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DIRECTORS' INTERESTS IN SHARES AND OPTIONS (continued)

(2) Long positions in shares and underlying shares of the associated corporation of the Company, SNP Corporation Ltd ("SNP") (continued)

(b) Share options of SNP (continued)

Name of directors	Capacity	Number of share options held	Number of underlying shares	Exercise price S\$	Exercisable period
Tay Siew Choon	Beneficial owner	5,000	5,000	0.50	23 April 2002 to 22 April 2011
		5,000	5,000	0.50	23 April 2003 to 22 April 2011
		5,000	5,000	0.50	23 April 2004 to 22 April 2011
		5,000	5,000	0.50	23 April 2005 to 22 April 2011
		50,000	50,000	0.69	17 April 2003 to 16 April 2007
		50,000	50,000	0.59	15 April 2004 to 14 April 2008
		70,000	70,000	1.19	21 April 2005 to 20 April 2009
		77,000	77,000	0.90	19 April 2006 to 18 April 2010
		267,000	267,000		
Edmund, Cheng Wai Wing	Beneficial owner	30,000	30,000	0.59	15 April 2004 to 14 April 2008
		50,000	50,000	1.19	21 April 2005 to 20 April 2009
		55,000	55,000	0.90	19 April 2006 to 18 April 2010
		135,000	135,000		
John Robert Walter	Beneficial owner	30,000	30,000	0.50	23 April 2002 to 22 April 2006
		30,000	30,000	0.69	17 April 2003 to 16 April 2007
		30,000	30,000	0.59	15 April 2004 to 14 April 2008
		50,000	50,000	1.19	21 April 2005 to 20 April 2009
		55,000	55,000	0.90	19 April 2006 to 18 April 2010
		195,000	195,000		
		1,404,000	1,404,000		

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DIRECTORS' INTERESTS IN SHARES AND OPTIONS *(continued)*

(3) Long positions in shares and underlying shares of other associated corporations of the Company

(i) Shares

Name of directors and company in which interest is held	Capacity	Number of shares held	Percentage of issued share capital as at 31 December 2005
(a) Interest in Singapore Technologies Engineering Ltd Ordinary shares of S\$0.10 each Yeo Chee Tong	Beneficial owner	2,568	0.00%
(b) Interest in CapitaLand Limited Ordinary share of S\$1.00 each Tay Siew Choon	Beneficial owner	850	0.00%
(c) Interest in Raffles Holdings Limited Ordinary shares of S\$0.50 each Tay Siew Choon	Beneficial owner	10,000	0.00%
(d) Interest in Vertex Investment (II) Ltd Ordinary shares of US\$1.00 each Tay Siew Choon	Beneficial owner	2	0.03%
(e) Interest in Vertex Technology Fund Ltd Ordinary shares of US\$1.00 each Tay Siew Choon	Beneficial owner	20	0.02%
(f) Interest in Vertex Technology Fund (II) Ltd Ordinary shares of US\$1.00 each Tay Siew Choon Redeemable preference shares of US\$0.01 each Tay Siew Choon	Beneficial owner Beneficial owner	500 500	0.33% 0.33%
(g) Interest in SembCorp Industries Ltd Ordinary shares of S\$0.25 each Tay Siew Choon Edmund, Cheng Wai Wing	Held by spouse Held by spouse	51,322 20,400	0.00% 0.00%
(h) Interest in Singapore Food Industries Limited Ordinary shares of S\$0.05 each Tay Siew Choon	Held by spouse	863,000	0.68%
(i) Interest in Singapore Computer Systems Limited Ordinary shares of S\$0.25 each Tay Siew Choon	Held by spouse	971,000	0.63%

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DIRECTORS' INTERESTS IN SHARES AND OPTIONS (continued)

(3) Long positions in shares and underlying shares of other associated corporations of the Company (continued)

(i) Shares (continued)

Name of directors and company in which interest is held	Capacity	Number of shares held	Percentage of issued share capital as at 31 December 2005
(j) Interest in Singapore Telecommunications Ltd			
Ordinary shares of S\$0.15 each			
Tay Siew Choon	Beneficial owner	1,560	0.00%
	Held by spouse	1,430	0.00%
		2,990	0.00%
Yeo Chee Tong	Beneficial owner	5,590	0.00%
	Held by spouse	1,616	0.00%
		7,206	0.00%
(k) Interest in SMRT Corporation Ltd			
Ordinary shares of S\$0.10 each			
Tay Siew Choon	Beneficial owner	30,000	0.00%
(l) Interest in Telechoice International Limited			
Ordinary shares of S\$0.02 each			
Tay Siew Choon	Beneficial owner	60,000	0.01%
Yeo Chee Tong	Beneficial owner	9,000	0.00%
		69,000	0.01%
(m) Interest in DBS Group Holdings Limited			
Ordinary shares of S\$1.00 each			
Edmund, Cheng Wai Wing	Held by spouse	2,000	0.00%
(n) Interest in Keppel Corporation Limited			
Ordinary shares of S\$0.50 each			
Edmund, Cheng Wai Wing	Held by spouse	5,000	0.00%

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DIRECTORS' INTERESTS IN SHARES AND OPTIONS (continued)

(3) Long positions in shares and underlying shares of other associated corporations of the Company (continued) (ii) Share Options

Name of directors and company in which interest is held	Capacity	Number of share options held	Number of underlying shares	Exercise price S\$	Exercisable period
(a) Interest in Chartered Semiconductor Manufacturing Ltd					
Tay Siew Choon	Beneficial owner	23,443	23,443	4.26	15 August 2002 to 15 August 2006
		29,304	29,304	3.46	22 February 2003 to 22 February 2007
		234,439	234,439	3.88	1 May 2002 to 1 May 2007
		46,887	46,887	1.86	30 August 2003 to 30 August 2007
		25,000	25,000	0.72	28 February 2004 to 28 February 2008
		35,000	35,000	1.10	29 August 2004 to 29 August 2008
		60,000	60,000	1.70	27 February 2005 to 27 February 2009
		60,000	60,000	1.16	26 August 2006 to 26 August 2010
		514,073	514,073		
(b) Interest in CapitaLand Limited					
Tay Siew Choon	Beneficial owner	12,500	12,500	2.02	19 June 2002 to 18 June 2006
		12,500	12,500	2.02	19 June 2003 to 18 June 2006
		12,500	12,500	2.02	19 June 2004 to 18 June 2006
		12,500	12,500	2.02	19 June 2005 to 18 June 2006
		10,000	10,000	1.32	11 May 2003 to 10 May 2007
		10,000	10,000	1.32	11 May 2004 to 10 May 2007
		10,000	10,000	1.32	11 May 2005 to 10 May 2007
		10,000	10,000	1.32	11 May 2006 to 10 May 2007
		90,000	90,000		
(c) Interest in The Ascott Group Limited					
Tay Siew Choon	Beneficial owner	10,000	10,000	0.37	21 December 2001 to 30 December 2006
		12,000	12,000	0.32	30 June 2002 to 30 December 2006
		12,000	12,000	0.35	5 May 2003 to 30 December 2006
		23,000	23,000	0.32	10 May 2004 to 30 December 2006
		57,000	57,000		
(d) Interest in STT Communication Limited					
Tay Siew Choon	Beneficial owner	7,500	7,500	0.50	24 November 2005 to 23 November 2011
		20,000	20,000	0.50	29 June 2006 to 28 June 2012
		25,000	25,000	0.57	30 July 2006 to 29 July 2013
		25,000	25,000	0.57	30 July 2007 to 29 July 2013
		50,000	50,000	1.08	29 July 2006 to 28 July 2014
		50,000	50,000	1.08	29 July 2007 to 28 July 2014
		50,000	50,000	1.08	29 July 2008 to 28 July 2014
		227,500	227,500		

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DIRECTORS' INTERESTS IN SHARES AND OPTIONS (continued)

(3) Long positions in shares and underlying shares of other associated corporations of the Company (continued)

(ii) Share Options (continued)

Name of directors and company in which interest is held	Capacity	Number of share options held	Number of underlying shares	Exercise price S\$	Exercisable period
(e) Interest in SembCorp Industries Ltd					
Tay Siew Choon	Beneficial owner	500,000	500,000	2.21	20 May 2001 to 19 May 2009
		125,000	125,000	1.94	27 June 2004 to 26 June 2010
		6,250	6,250	1.54	8 May 2006 to 7 May 2007
		6,250	6,250	0.93	18 October 2005 to 17 October 2007
		6,250	6,250	0.93	18 October 2006 to 17 October 2007
		6,250	6,250	1.09	3 June 2006 to 2 June 2008
		6,250	6,250	1.09	3 June 2007 to 2 June 2008
		6,250	6,250	1.24	19 November 2005 to 18 November 2008
		6,250	6,250	1.24	19 November 2006 to 18 November 2008
		6,250	6,250	1.24	19 November 2007 to 18 November 2008
		675,000	675,000		
(f) Interest in Green Dot Internet Services Pte Ltd					
Tay Siew Choon	Beneficial owner	4,156	4,156	1.00	12 March 2003 to 11 March 2013
		4,157	4,157	1.00	12 March 2004 to 11 March 2013
		4,157	4,157	1.00	12 March 2005 to 11 March 2013
		4,157	4,157	1.00	12 March 2006 to 11 March 2013
		2,616	2,616	1.00	1 April 2004 to 31 March 2014
		2,616	2,616	1.00	1 April 2005 to 31 March 2014
		2,617	2,617	1.00	1 April 2006 to 31 March 2014
		2,617	2,617	1.00	1 April 2007 to 31 March 2014
		2,920	2,920	1.00	1 April 2005 to 31 March 2015
		2,920	2,920	1.00	1 April 2006 to 31 March 2015
		2,920	2,920	1.00	1 April 2007 to 31 March 2015
		2,921	2,921	1.00	1 April 2008 to 31 March 2015
				38,774	38,774
(g) Interest in Global Crossing Ltd					
				US\$	
Tay Siew Choon	Beneficial owner	4,400	4,400	10.16	12 January 2005 to 11 January 2014
		3,300	3,300	10.16	12 January 2006 to 11 January 2014
		3,300	3,300	10.16	12 January 2007 to 11 January 2014
		11,000	11,000		

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

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SHARE CAPITAL AND SHARE OPTIONS

Particulars of the Company's share capital and share option schemes are set out in notes 29 and 30 to financial statements, respectively.

The following table discloses details of the share options outstanding under the existing share option scheme (the "2003 Scheme") held by a director and employees and movements during the year.

	Number of share options				
	Outstanding at 1.1.2005	Granted during the year	Adjustment for right issue	Lapsed during the year	Outstanding at 31.12.2005
A director, Yeo Chee Tong	675,000	825,000	225,000	–	1,725,000
Eligible employees	2,225,000	3,162,500	596,250	(587,500)	5,396,250
Total	2,900,000	3,987,500	821,250	(587,500)	7,121,250

During the year, the Company has granted share options on 12 April 2005 and 28 October 2005 respectively. The closing price of the Company's shares on 12 April 2005 and 28 October 2005 was HK\$1.63 (HK\$1.54 being adjusted for the effects on Rights Issue) and HK\$1.08 respectively.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Except for the share option scheme disclosed above, at no time during the year was the Company, or any of its holding companies, 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.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

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SUBSTANTIAL SHAREHOLDERS

At 31 December 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of the relevant interests in the issued share capital of the Company.

Ordinary shares of HK\$0.10 each of the Company

Name of shareholder	Capacity	Number of ordinary shares	Percentage of issued share capital as at 31 December 2005
SNP Corporation Ltd	Beneficial owner	357,057,985	70.93
Green Dot Capital Pte Ltd	Held by controlled corporation (Note)	357,057,985	70.93
Temasek Capital (Private) Limited	Held by controlled corporation (Note)	357,057,985	70.93
Temasek Holdings (Private) Limited	Held by controlled corporation (Note)	357,057,985	70.93

Note: These shares were held through SNP Corporation Ltd, a company in which Green Dot Capital Pte Ltd, a wholly owned subsidiary of Temasek Capital (Private) Limited, has approximately 55% shareholding. Temasek Capital (Private) Limited is a wholly owned subsidiary of Temasek Holdings (Private) Limited.

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

CONNECTED TRANSACTIONS

Connected transactions undertaken by the Company during the year, as disclosed in note 37(b) to the financial statements, are set out as below:

- (i) On 11 August 2004, the Company and SNP Vite Limited (“Vite”), a wholly owned subsidiary of SNP, entered into a master agreement (“Master Agreement”) pursuant to which Vite agreed to provide financial printing service (“Services”) to the Company including type-setting, translation and printing of announcements, circulars and annual reports and placing announcement in newspapers. The Master Agreement is for a fixed term of three years effective as of 1 January 2004 and ending on 31 December 2006 unless terminated by either party before its expiry. The maximum aggregated annual value (“cap”) payable to Vite by the Company for the Services rendered for the years ended 31 December 2004 and 2005 and year ending 31 December 2006 was fixed at HK\$3,000,000, HK\$2,000,000 and HK\$2,000,000 respectively.

During the year, the Company had paid approximately HK\$1,046,000 (2004: HK\$1,664,000) for the printing services provided by Vite. The transactions with Vite were carried out in the ordinary and usual course of business and on normal commercial terms.

In the opinion of the Company’s independent non-executive directors, the transactions were entered into the ordinary course of the Group’s business, conducted on normal commercial terms and were in accordance with the terms of the contracts governing such services. The amount of the Services for the year did not exceed HK\$2,000,000, a condition which was set out in a circular issued by the Company to its shareholders on 14 August 2004.

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CONNECTED TRANSACTIONS *(continued)*

- (ii) The Group had sold certain goods to SNP Group. The total sales by the Group to SNP Group in 2005 amounted to approximately HK\$1,296,000 (2004: HK\$89,000). The transactions with SNP Group were carried out in the ordinary and usual course of business and on normal commercial terms.

In the opinion of the Company's independent non-executive directors, the transactions were entered into the ordinary and usual course of the Group's business, conducted on normal commercial terms and were in accordance with the contracts governing such transactions. The amount of the transactions for the year did not exceed HK\$10,000,000, a condition which was set out in announcement dated 2 February 2005.

- (iii) The Company received rental income from SNP Group in 2005 amounting to approximately HK\$157,000 (2004: Nil).
- (iv) In addition, the Company charged management fee income of approximately HK\$507,000 (2004: HK\$186,000) for performing certain administrative services to SNP Group.

The Board of directors engaged the auditors of the Company to perform certain agreed upon procedures in respect of the above connected transactions of the Group. The auditors have reported their factual findings on these procedures to the board of directors. The Independent Non-Executive Directors have reviewed the continuing connected transactions and the report of the auditors and have confirmed that the transactions have been entered into by the Company in the ordinary course of its business, on normal commercial terms, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

There was no purchase, sales or redemption by the Company or any of its subsidiaries, of the Company's listed securities during the year ended 31 December 2005.

EMOLUMENT POLICY

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

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

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out in note 30 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws, or articles of association or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Report of Directors

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

As stated in the Company's interim report for the six months ended 30 June 2005, the Board has undertaken to review and propose the necessary amendments to the Bye-laws of the Company in order to ensure its compliance with the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules. At the Special General Meeting of the Company held on 8 December 2005, a special resolution was passed to amend the Bye-laws of the Company so that (i) any director appointed to fill a casual vacancy shall be subject to re-election by Shareholders at the Company's first general meeting after the appointment rather than the Company's next following annual general meeting after the appointment and (ii) every director shall be subject to retirement by rotation at least once every three years and directors holding office as the Chairman of the Board or the Managing Director shall also be subject to retirement by rotation.

Accordingly, in the opinion of the directors, the Company has met the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

AUDIT COMMITTEE

The Company has an audit committee which was established for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls.

The audit committee, comprising three independent non-executive directors, met three times during the financial year. During the meetings, the audit committee reviewed the accounting principles and practices adopted by the Group, the interim and annual reports of the Group, connected transactions and discussed with the Management the auditing, internal control and financial reporting matters.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

A resolution will be submitted to the Annual General Meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board



PETER, YANG SZE CHEN

Chairman

Hong Kong

8 February 2006