

The directors submit their annual report and the audited financial statements for the year ended 31st December 2005 (the “Year”).

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. During the Year, the Group is engaged principally in the investments in listed securities in Hong Kong.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December 2005 are set out in the consolidated income statement on page 24.

The directors do not recommend the payment of a dividend.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the Year in the property, plant and equipment of the Group and the Company are set out in note 14 to the financial statements.

CAPITAL STRUCTURE AND SHARE CAPITAL

Details of the movements during the Year in the share capital of the Company are set out in note 19 to the financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the Year are set out in note 21 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Year, the Company did not purchase, sell or redeem any of the Company’s own securities.

REPORT OF THE DIRECTORS

DIRECTORS

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

Mr. CHUNG Yuk Lun, Chairman

Mr. NAKAJIMA Toshiharu,
Chief Executive Officer

Mr. SHIMAZAKI Koji (re-designated from an independent non-executive director to an executive director on 9th May 2005)

Mr. CHUNG Wilson (appointed on 11th January 2006)

Mdm. MA Chi Wing (resigned on 18th May 2005)

Mr. SZETO Siu Kit (resigned on 27th February 2006)

Mr. CHAN Sze Hung#

Mr. WONG Kai Cheong#

Mr. KAN Kwok Shu, Albert# (appointed on 29th December 2005)

Mr. WONG Wai Man, Raymond# (appointed on 3rd January 2006)

Dr. LIN Michael# (resigned on 15th September 2005)

Mdm. KWOK Wai Ming# (resigned on 6th January 2006)

Independent non-executive directors

According to article 88(1) of the Company's articles of association, Mr. Chung Yuk Lun, Mr. Chan Sze Hung and Mr. Wong Kai Cheong, who are subject to retirement by rotation, will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS

As at 31st December 2005, the following persons (other than the directors or chief executive of the Company) had interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance ("SFO"):

Name of Shareholders	Number of ordinary shares	Percentage
– Success Future Limited (Note a)	68,000,000	8.59%
– Unity Investments Holdings Limited (Note b)	77,776,000	9.82%
– Dollar Group Limited (Note c)	64,220,000	8.11%
– Wong Man Hon Frederick (Note d)	68,800,000	8.69%
– Tsoi Man Chi (Note d)	68,100,000	8.60%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS

Notes:

- (a) Success Future Limited is beneficially owned by Mr. Au Yeung Kai Chor.
- (b) Unity Investments Holdings Limited is a company listed on the Stock Exchange.
- (c) Dollar Group Limited is a wholly-owned subsidiary of Heritage International Holdings Limited, a company listed on the Stock Exchange.
- (d) An independent third party.

Save as disclosed above, the Company had not been notified by any other person (other than the directors or chief executive of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31st December 2005.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company or 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.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 31st December 2005, none of the directors, chief executive of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under 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.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURE

Apart from as disclosed under the heading "Share Option Scheme" below, at no time during the Year was the Company or 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. The Company did not grant any right to subscribe for the shares in the Company to any directors or chief executive of the Company or their respective spouse or children under the age of 18 during the Year.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

Pursuant to a resolution passed by shareholders of the Company on 7th February 2005, the Company adopted a share option scheme (the “Share Option Scheme”), the principal terms of which are set out in the circular of the Company dated 12th January 2005.

Details of options granted under the Share Option Scheme are summarized as follows:

Date of grant	Eligible person	Outstanding at 01.01.2005	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding at 31.12.2005	Exercise period	Exercise price per share
Category I: Directors of the Company									
21.02.2005	Chung Yuk Lun	-	22,000,000	22,000,000	-	-	-	21.02.2005 - 21.02.2007	HK\$0.0224
21.02.2005	Nakajima Toshiharu	-	22,000,000	22,000,000	-	-	-	21.02.2005 - 21.02.2007	HK\$0.0224
21.02.2005	Szeto Siu Kit	-	22,000,000	22,000,000	-	-	-	21.02.2005 - 21.02.2007	HK\$0.0224
Category II: Others									
21.02.2005	Continuous contract employee	-	22,000,000	22,000,000	-	-	-	21.02.2005 - 21.02.2007	HK\$0.0224
	Employees of Investee Companies	-	138,479,000	138,479,000	-	-	-	21.02.2005 - 21.02.2007	HK\$0.0224
27.10.2005	Employees of Investee Companies	-	34,400,000	34,400,000	-	-	-	27.02.2005 - 6.02.2015	HK\$0.0816
		-	260,879,000	260,879,000	-	-	-		

Save as disclosed above, no option was granted, exercised or cancelled during the Year. The Directors consider that it is not appropriate to state the value of the share options granted during the Year on the ground that a number of variables which are crucial for the valuation of the option value cannot be reasonably determined. Accordingly the Directors believe that any valuation of the share options based on a great number of speculative assumptions would not be meaningful and may be misleading to the shareholders.

PLEDGE OF ASSETS

Details of pledge of assets are set out in note 23 to the financial statements.

RETIREMENT BENEFITS SCHEME

Details of the retirement benefits scheme are set out in note 24 to the financial statements.

CONNECTED TRANSACTIONS

The following connected transactions occurred during the Year.

1. Custodian Agreement

On 11th February 2002 Standard Chartered Bank (the “Custodian”) entered into the custodian agreement with the Company pursuant to which the Custodian agreed to provide services to the Company including the safe custody and physical settlement of the securities in the investment portfolio of the Company and its subsidiaries, and the collection of dividends and other entitlements in respect of such securities. The custodian agreement will continue in force until terminated by either the Company or the Custodian giving to the other not less than 90 days’ notice in writing expiring at any time. During the Year, the Group has paid to the Custodian HK\$115,256 (2004: HK\$5,323).

The Custodian is regarded as a connected person of the Company for the purpose of the Listing Rules. Accordingly, the custodian agreement constitutes a continuing connected transaction for the Company under the Listing Rules.

2. Investment Management Agreements

CUIM has been appointed as the investment manager of the Company for a term of three years commencing from 3rd November 2003 to 2nd November 2006. According to the investment management agreement, aggregate investment management fee of 1% per annum of the net asset value of the Company will be payable monthly in advance to CUIM. On 16th November 2005 the Company has agreed with CUIM to revise the investment management fee to HK\$80,000 per month with effect from 1st January 2006.

CUIM is regarded as a connected person of the Company for the purpose of the Listing Rules. Accordingly, the investment management agreement constitutes a continuing connected transaction of the Company.

The aggregate investment management fee paid/payable to CUIM for the Year amounted to HK\$1,903,765 (2004: HK\$1,718,602).

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS *(continued)*

3. Grant of Waiver

The Company has applied to and been granted by the Stock Exchange for a waiver from strict compliance with the disclosure and shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the investment management agreement for the three financial years ending 31st December 2006 ("On-going Connected Transactions"). The Stock Exchange has indicated that a waiver in respect of the On-going Connected Transactions has been granted based on the following conditions:

1. the On-going Connected Transactions shall be:–
 - (a) entered into in the ordinary and usual course of business of the Company;
 - (b) conducted on normal commercial terms and on arm's length basis;
 - (c) on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
 - (d) the aggregate amount of the annual investment management fees payable to CUIM under the investment management agreement will be 1% per annum of the net asset value of the Company as at the Valuation Date on the basis of the actual number of days in the relevant calendar month over a year of 365 days and will be payable monthly in advance to CUIM;
2. the aggregate amount of the On-going Connected Transactions for each financial year of the Company shall not exceed the higher of either HK\$10 million or 3% of the book value of the Company's net tangible assets in the relevant financial year (the "Cap Amount");
3. the independent non-executive directors shall review the On-going Connected Transactions annually and confirm in the Company's next and each successive annual report that these have been conducted in the manner as stated in paragraphs 1 and 2 above;

CONNECTED TRANSACTIONS *(continued)*

3. Grant of Waiver *(continued)*

4. the Company's auditors shall review the On-going Connected Transactions annually and confirm in a letter to the Board (a copy of which shall be provided to the Listing Division of the Stock Exchange) stating whether:–

- (a) the On-going Connected Transactions have received the approval of the Board;
- (b) the On-going Connected Transactions have been entered into in accordance with the terms of the investment management agreement;
- (c) the aggregate value of the On-going Connected Transactions does not exceed the Cap Amount as stated in paragraph (2) above; and

where, for whatever reason, the auditors decline to accept the engagement or are unable to provide the letter referred to above, the Directors shall contact the Listing Division of the Stock Exchange immediately; and

5. brief details of the On-going Connected Transactions shall be disclosed as required under Rule 14A.45 of the Listing Rules in the Company's next and each successive annual report.

4. Confirmation from Independent Non-Executive Directors

The Company's Independent non-executive directors have reviewed the transactions pursuant to the investment management agreement dated 3rd November 2003 and confirm that:

- (a) the transactions pursuant to the investment management agreement have been entered into by the Company in the ordinary and usual course of its business and are conducted in accordance with the terms of the investment management agreement on terms no less favourable than those offered by each of the connected companies to independent third parties;
- (b) the transactions pursuant to the investment management agreement have been entered into on normal commercial terms and on arm's length basis;
- (c) the transactions pursuant to the investment management agreement have been entered into on terms that are fair and reasonable so far as the shareholders of the Company and the Company are concerned;

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS *(continued)*

4. Confirmation from Independent Non-Executive Directors *(continued)*

- (d) the value of the annual (pro-rata) investment management fee payable to the investment manager do not exceed 1% per annum of the net asset value of the Company and none of the performance management fee shall be paid or payable to the investment manager; and
- (e) the aggregate amount of the On-going Connected Transactions for the Year does not exceed the higher of HK\$10 million or 3% of the book value of the Company's net tangible assets in the Year.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its directors, the directors confirm that the Company has maintained during the Year the amount of public float as required under the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the Year.

AUDIT COMMITTEE

The audit committee, currently comprising four independent non-executive directors, has reviewed with management the accounting principles and practices adopted by the Group and has discussed internal controls and financial reporting matters of the Company and has reviewed the annual results of the Group for the year ended 31st December 2005.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, although there are no restrictions against such rights under the laws in the Cayman Islands.

AUDITORS

A resolution will be proposed at the forthcoming annual general meeting to re-appoint Messrs. HLM & Co. as auditors of the Company.

On behalf of the Board

CHUNG Yuk Lun

Chairman

Hong Kong, 3rd April 2006