

Report of the Directors

The directors submit their report together with the audited financial statements for the year ended 31st December, 2005.

PRINCIPAL ACTIVITIES

The principal activities of the Company and its subsidiaries during the year are investments in securities listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and unlisted investments with a potential for earnings growth and capital appreciation. The activities of the principal subsidiaries are set out in Note 14 to the financial statements.

The Group's turnover for the year comprised dividends from listed and unlisted investments, and interest earned from investments in convertible notes, bank deposits and other sources.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 25.

The Board of Directors has recommended a dividend out of the share premium account of the Company of HK3 cents per share (2004: HK2 cents per share) in respect of the year ended 31st December, 2005, totaling not less than HK\$4,383,071 (2004: HK\$2,922,047) which is subject to approval of shareholders at the forthcoming annual general meeting to be held on 7th June, 2006 and compliance with the Companies Law of the Cayman Islands.

If approved, the said dividend will be paid on or about 14th June, 2006 to shareholders whose names appear on the register of members of the Company at the close of business on 7th June, 2006.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Thursday, 1st June, 2006 to Wednesday, 7th June, 2006, both days inclusive. In order to qualify for the dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the share registrars of the Company in Hong Kong, Secretaries Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Tuesday, 30th May, 2006.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in Note 27 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 12 to the financial statements.

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SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 26 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December, 2005 are set out in Note 27 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Memorandum and Articles of Association or the laws of the Cayman Islands.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 84.

CONVERTIBLE BONDS

Details of the convertible bond issued by a subsidiary of the Group are set out in Note 25 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

SHARE OPTION

The Company has adopted a share option scheme (the "Share Option Scheme") at its annual general meeting held on 28th June, 2005. The purposes of the Share Option Scheme are to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

All directors (including executive directors, non-executive directors and independent non-executive directors) and employees of the Company and its subsidiaries ("the Group") and consultants, advisors, agents, customers, service providers, contractors, business partners of any member of the Group or any member of it has a shareholding interest, in the sole discretion of the Board, has contributed to the Group or any member of it are eligible to participate in the Share Option Scheme.

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The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 14,610,237 shares of the Company, being 10% of the issued share capital of the Company at the date of approval of the Share Option Scheme and 10% of issued share capital at the date of the annual report.

The total number of shares issued and to be issued upon exercise of options granted to each eligible participant (including both exercised and outstanding options) under the Share Option Scheme and any other share option schemes of the Company in any twelve-month period must not exceed 1% of the issued shares of the Company. Where any 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 the options granted and to be granted (including both exercised and outstanding options) in any twelve-month period up to the date of grant should not exceed 0.1% of the issued shares of the Company or an aggregate value of HK\$5,000,000.

An option may be exercised at any time during a period as the Board may determine which shall not be more than ten years from the date of grant of the option subject to the provisions of early termination thereof.

Unless otherwise determined by the Board at its sole discretion, the Share Option Scheme does not require a minimum period for which an option must be held nor a performance target which must be achieved before an option can be exercised.

Upon acceptance of the options, the grantee shall pay HK\$1 to the Company by way of consideration for the grant.

The subscription price for the shares of the Company the subject of an option shall be no less than the higher of (i) the closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company on the date of grant. The subscription price will be established by the Board at the time the option is offered to the relevant participant.

The Share Option Scheme will remain in force for a period of ten years from 28th June, 2005.

No option was granted, exercised, lapsed or cancelled during the year or remained outstanding as at 31st December 2005.

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DIRECTORS

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

Lee Fong Lit David
Chow Pok Yu Augustine
Tong Kim Weng Kelly
Lam Andy Siu Wing, JP
Ho Man Kai, Anthony
Wong Yun Kuen

In accordance with the Company's Articles 98(b), Mr. Lee Fong Lit David and Mr. Lam Andy Siu Wing, JP shall retire from office by rotation at the forthcoming annual general meeting, being eligible, offer themselves for election.

Mr. Ho Man Kai, Anthony, Mr. Tong Kim Weng, Kelly and Dr. Wong Yun Kuen are independent non-executive directors.

The Company has received annual confirmation from each of the independent non-executive directors as regards their independence to the company and consider that each of the independent non-executive directors is independent to the Company.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with any member of the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Details of Dr. Chow Pok Yu Augustine's interest in contracts of significance in relation to the Group's business are set out in Note 31 to the financial statements.

Save as disclosed above, no other contracts of significance in relation to the Group'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.

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BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of directors are set out below:

Executive Directors:

Mr. Lee Fong Lit David, aged 59, joined the Company in February 1998. He is also the Chairman of the Board of the Company. He obtained his BSc degree from McGill University in Montreal and his MBA degree from Columbia University, New York. Mr. Lee has over 29 years experience in the international finance and investment management industry. He is involved in investing in equity markets of Singapore, Malaysia and Hong Kong.

Dr. Chow Pok Yu Augustine, aged 53, joined the Company in June 1996, He is also the Chief Executive Officer of the Company. He holds a MSc from London Business School and Ph.D from University of South Australia. Dr. Chow has vast experience in managing public listed companies that are involved in manufacturing, marketing and financial services and specialising in mergers and acquisitions.

Mr. Lam Andy Siu Wing, JP, aged 55, joined the Company in March 2004. He is also the qualified accountant of the Company. He has involved in strategic investment and planning for listed and unlisted companies over 21 years. He holds an MBA degree from Oklahoma City University. Professionally, Mr. Lam is an American Certified Public Accountant, a Certified Fraud Examiner, a Chartered Secretary and a Chartered Marketer. He also has served on a number of government committees, boards, and tribunals in Hong Kong and was appointed as a Justice of the Peace on 1st July, 2001.

Independent Non-executive Directors:

Mr. HO Man Kai, Anthony, aged 54, joined the Company in September 2004. He is also the Chairman of the audit committee and remuneration committee. He graduated from The Chinese University of Hong Kong with a BBA degree and an MBA degree from the University of East Asia, Macau. Mr. HO has over 30 years' experience in management accounting, corporate administration and financial management. He held management positions before with Gammon-Swire Joint Venture, Drageges et Travaux Publics, Mass Transit Railway Corporation and The Hong Kong Jockey Club. He is a Fellow Professional National Accountant of the National Institute of Accountants.

Mr. Tong Kim Weng Kelly, aged 57, joined the Company in November 1998. He is also a member of the audit committee of the Company. He holds degrees in Political Science BA (Hons) and Public Policy (Master of Public Policy) from Victoria University, New Zealand. He was a former senior officer in the New Zealand Trade Department. After leaving the public sector, he served in various capacities as a consultant involved in marketing and business development, IT and the financing services, sourcing and arranging private equity for a variety of projects.

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Dr. Wong Yun Kuen, aged 48, joined the Company in September 2004. He is also a member of the audit committee and remuneration committee. He received a Ph.D. Degree from Harvard University. He was “Distinguished Visiting Scholar” at Wharton School of the University of Pennsylvania and a consultant at AIG Financial Products Corporation of the United States. Dr. Wong has worked in financial industries in the United States and Hong Kong for more than 10 years, and has considerable experience in Corporate Finance, Investment and Derivative Products. He is Member of Hong Kong Securities Institute, Master Financial Professional and Fellow of American Academy of Financial Management and Certified E-Commerce Consultant of the Institute of E-Commerce Consultant, U.S.A. Dr. Wong is a Lecturer of City University of Hong Kong, an executive director of UBA Investments Limited (Stock Code: 768), and an INED respectively of Grand Field Group Holdings Limited (Stock Code: 115), Golden Resorts Group Limited (Stock Code: 1031), Bauhaus International (Holdings) Limited (Stock Code: 483), Ultra Group Holdings Limited (Stock Code: 8203), and Poly Investments Holdings Limited (Stock Code: 263). Dr. Wong was an INED of Haywood Investments Limited (Stock Code: 905) until 7th July, 2005.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

At 31st December, 2005, the interests of the directors and chief executive in the shares of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (“SFO”)), as recorded in the register maintained by the Company 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 Issuers (the “Model Code”) in the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) were as follows:

(a) Ordinary shares of HK\$0.2 each in the Company

Name of director	Capacity	Number of shares				Percentage of issued share capital as at 31 December 2005
		Personal interests	Family interests	Corporate interests	Other interests	
Lee Fong Lit, David	Interest of controlled corporation	–	–	36,001,576 (Note 1)	–	24.64%
Ho Man Kai, Anthony	Beneficial owner	20,000	–	–	–	0.01%
Wong Yun Kuen	Beneficial owner	12,000	–	–	–	0.008%

Note 1: These 36,001,576 shares are held by Sino Path Consultants Limited in the capacity of beneficial owner, a company which is held 70% by Mr. Lee Fong Lit, David and 30% by Dr. Chow Pok Yu, Augustine. Mr. Lee Fong Lit, David and Dr. Chow Pok Yu, Augustine are the executive directors of the Company.

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(b) Share option of the Company

The Company has adopted share option scheme on 28th June, 2005. No option was granted, exercised, lapsed or cancelled during the year or remained outstanding as at 31st December, 2005.

Save as disclosed herein, none of the directors or chief executives of the Company had any interest in the equity or debt securities of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under section 352 of the SFO.

At no time during the year did the directors and chief executive (including their spouses and children under 18 years of age) have any interest in, or been granted, or exercised, any rights to subscribe for shares or warrants of the Company and its associated corporations (within the meaning of the SFO).

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.

SUBSTANTIAL SHAREHOLDERS

At 31st December, 2005, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company has not been notified of any substantial shareholders' interests, being 5% or more of the Company's issued share capital, other than those of the directors and chief executive as disclosed above.

MANAGEMENT CONTRACTS

Details of significant management contracts in relation to the Company's business are set out in Note 31 to the financial statements.

Save as disclosed above, no other contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group earned less than 30% of its turnover from its five largest customers.

The Group is an investment holding company. In the opinion of the directors, it is therefore of no value to disclose details of the Group's suppliers.

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CONNECTED TRANSACTIONS

Significant related party transactions entered by the Group during the year ended 31st December, 2005, which also constitute connected transactions under the Listing Rules, are disclosed in Note 31 to the financial statements.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to “A Guide for The Formation of An Audit Committee” published by the Hong Kong Institute of Certified Public Accountants and revised in accordance with the code provision of the Code on Corporate Governance.

The Audit Committee provides an important link between the Board and the Company’s auditors in matters coming within the scope of the Group’s audit. It also reviews the effectiveness of the external audit and internal controls and risk evaluation. The Committee now comprises three independent non-executive directors, namely Mr. Ho Man Kai, Dr. Wong Yun Keun and Mr. Tong Kim Weng Kelly. Three meetings of the audit committee were held during the current financial year. The annual results for the year ended 31st December, 2005 was reviewed by the Audit Committee.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, 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.

SUBSEQUENT EVENTS

Details of granting of options are set out in Note 34 to the financial statements.

AUDITORS

During 2003, the former auditors, Messrs. PricewaterhouseCoopers Certified Public Accountants, resigned and Messrs. Chu and Chu, Certified Public Accountants appointed auditors of the Company.

Messrs. Chu and Chu, Certified Public Accountants, are the Company’s retiring auditors who, being eligible, offer themselves for re-appointment.

By order of the Board

Lee Fong Lit David

Chairman

Hong Kong, 25th April, 2006