

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the principal subsidiaries, jointly controlled entity and the principal associates are set out in detail in notes 18, 19 and 20, respectively, to the financial statements. There was no change in the nature of the Group's principal activities during the year.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activity 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 19 to 25.

The directors do not recommend the payment of any dividends in respect of the year ended 31 December 2005 (2004: Nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years ended 31 December 2005, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 77. The summary is not part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 17 to the financial statements.

PROPERTIES UNDER DEVELOPMENT

Details of movements in the properties under development of the Group are set out in note 23 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year and subsequent thereto, together with the reasons therefor, are set out in note 33 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group are set out in note 34 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2005 the Company did not have any reserves available for distribution as calculated in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance. However, the Company's share premium account and capital redemption reserve in an aggregate amount of HK\$63,580,000 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year, and the purchases attributable of the five largest suppliers accounted for less than 30% of the Group's total purchases for the year.

DIRECTORS

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

Executive Directors

Mr. Chan Lap Tat, Dickman	(appointed on 13 September 2005 and resigned on 26 January 2006)
Mr. Chen Jung Hsin	(resigned as CEO and Executive Director on 14 July 2005 and 15 July 2005 respectively, and re-appointed as CEO & Executive Director on 6 January 2006)
Mr. He Zhe	(appointed as Non-executive Director on 6 January 2006 and re-designated as Executive Director on 8 February 2006)
Mr. Kuang Yong	(resigned on 7 July 2005)
Mr. Lam Wai Kit	(retired on 6 July 2005)
Mr. Li Wing Sum, Steven	(retired as Independent Non-executive Director on 6 July 2005 and re-appointed as Executive Director on 6 January 2006)
Mr. Liang Wenjian	(appointed on 6 January 2006)
Mr. Long Changqing	(resigned on 7 January 2006)
Mr. Lu Junsu	(resigned as Chairman and Executive Director on 31 December 2005)
Mr. Su Xixiong	
Ms. Wong Lin Chooi	(ceased appointment on 6 March 2006)
Mr. Zhang Fan	(appointed on 12 July 2005)

Non-executive Director

Mr. Cheng Chun Ping, JP	(retired on 6 July 2005)
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Independent Non-executive Directors

Dr. Dong Ansheng	(appointed on 6 January 2006)
Mr. Hu Dehua	(resigned on 13 September 2005)
Dr. Lu Jianhua	(ceased appointment on 8 February 2006)
Mr. Ng Fuk Leung	(appointed on 13 September 2005 and resigned on 8 February 2006)
Mr. Poon Chiu	(appointed on 8 February 2006)
Dr. Xu Weidong	(appointed on 12 July 2005 and resigned on 5 January 2006)

At the forthcoming annual general meeting ("AGM") of the Company, in accordance with Bye-law 100 of the Company's Bye-laws, Mr. Zhang Fan, Mr. Chen Jung Hsin, Mr. He Zhe, Mr. Li Wing Sum, Steven, Mr. Liang Wenjian, Dr. Dong Ansheng and Mr. Poon Chiu shall retire at the AGM and, being eligible, offer themselves for re-election.

At the AGM, in accordance with Bye-law 109(A) of the Company's Bye-laws, Mr. Su Xixiong shall retire from office at the AGM and, being eligible, offer himself for re-election.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2005, none of the directors have a service agreement with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

None of the directors had any beneficial interest, either direct or indirect, in any significant contract to which the Company, any of its holding companies or any of its subsidiaries was a party at the balance sheet date or at any time during the year.

DIRECTORS' INTERESTS IN EQUITY SECURITIES

As at 31 December 2005, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance ("SFO") (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules (collectively "Discloseable Interests or Short Positions"), were as follows:

Name of Director	Note	Type of Interests	No. of Shares
Ms. Wong Lin Chooi	1	Family	421,637,963
Mr. Chan Lap Tat, Dickman	2	Corporate	47,885,000

Note 1: Ms. Wong Lin Chooi is deemed to have a family interest in the shares held by her husband, Mr. Chan Boon Ning, John.

Note 2: Mr. Chan Lap Tat, Dickman holds approximately 6.9% interests in Morning Zone Co. Ltd., which holds 47,885,000 shares of the Company.

Save as disclosed above, none of the Directors or the chief executive of the Company had or were deemed to have any Discloseable Interests or Short Position as at 31 December 2005.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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 and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2005, according to the Register kept by the Company pursuant to Section 336 of the SFO, the following interests in the shares of the Company were recorded:

Name of substantial shareholder	Note	No. of ordinary shares of HK\$0.10 each			Total	Shareholding percentage
		Family interests	Personal interests	Corporate interests		
Gree Group (HK) Ltd.	1	-	-	723,970,000	723,970,000	24.05%
Angklong Ltd	2	-	-	379,053,963	379,053,963	12.59%
Mr. Chan Boon Ning, John	3	-	42,584,000	379,053,963	421,637,963	14.01%
Ms. Wong Lin Chooi	4	421,637,963	-	-	421,637,963	14.01%
Jiuzhou Development Co. Ltd.				180,094,000	180,094,000	5.98%

Note 1: Mr. Chen Yuanhe and Mr. Zhang Fan hold 51% and 49% respectively of the issued share capital of Gree Group (HK) Ltd. ("Gree"), thus they are deemed to be interested in all 723,900,000 shares by virtue of their respective shareholdings in Gree. On 4 January 2006, Gree entered into an agreement with Madex International Company Limited ("Madex"), a company controlled by Mr. Liang Wen Guan, to dispose of all 723,900,000 shares to Madex.

Note 2: According to a report received by the Company on 19 March 2002, 422,133,000 shares were charged by Angklong Ltd. to Maxwick Investment Ltd., which was 99.99% owned by Ms. Leong On Kei, Angela. No update regarding the said 422,133,000 shares, which represent 14.02% of the issued share capital of the Company, has been received by the Company since the day of reporting.

Note 3: Mr. Chan Boon Ning, John, who holds the entire issued share capital of Harrio Assets Ltd., which in turn holds the entire issued share capital of Angklong Ltd., is deemed to be interested in the 379,053,963 shares, which were held by Angklong Ltd.

Note 4: Ms. Wong Ling Chooi is deemed to have a family interest in the shares held by her husband, Mr. Chan Boon Ning, John.

All the interests stated above represent long positions. As at 31 December 2005, no short positions were recorded in the register kept by the Company under section 336 of the SFO.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of listed securities of the Company by the Company or any of its subsidiaries during the year.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 41 to the financial statements.

MANAGEMENT CONTRACTS, CONNECTED TRANSACTIONS AND MATERIAL RELATED PARTY TRANSACTIONS

Details of the management contracts, connected transactions and material related party transactions are provided in note 40 to the financial statements.

PUBLIC FLOAT

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

AUDITORS

CCIF CPA Limited retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Chen Jung Hsin

CEO & Executive Director

Hong Kong, 19 April 2006