

Report of the Directors

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

Principal activities

The principal activity of the Company is investment holding. The principal activities of its subsidiary companies, associates and jointly controlled entities are shown in notes 45, 46 and 47 to the accounts, respectively.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the accounts.

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 41.

The directors have declared an interim dividend of HK4.6 cents per share, totaling HK\$41,880,977, which was paid on 11th November 2005.

The directors recommend the payment of a final dividend of HK4.0 cents per share, totaling HK\$36,426,241.

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 107.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 32 to the accounts.

Donations

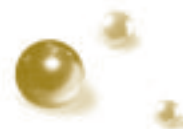
During the year, the Group made no charitable donations.

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group and the Company are shown in note 16 to the accounts.

Share capital

Details of the movements in share capital of the Company are set out in note 31 to the accounts.



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 options

The Company has a share option scheme (the "Scheme") approved in an extraordinary general meeting on 22nd November 1997 under which the directors may, at their discretion and within 10 years from the approval date, invite any employees or executive directors ("Participants") of the Group to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated in the Scheme. The Company operates the Scheme for the purpose of promoting additional commitment and dedication to the long term objectives of the Group by the Participants. The grant will expire on 21st November 2007 or an earlier date as determined by the Board of Directors. The cash consideration payable for each grant is HK\$1.

Prior to 1st September 2001, the subscription price is determined by the directors and shall be the higher of nominal value of the Company's share and a price not less than 80% of the market price immediately before the options are granted. The maximum number of shares issued to each employee or director in respect of which options may be granted shall not exceed 25% of the total shares in issue or to be issued under the Scheme. On 1st September 2001 when the amendments to the Listing Rules were effective, the subscription price shall be the higher of the closing price on the date of grant and the average closing price for the five business days immediately preceding the date of grant. The maximum number of shares issued and to be issued upon exercise of the options granted to each employee or director shall not exceed 1% of the total shares in issue in any 12-month period. Shares options granted since 1st September 2001 shall comply with the prevailing Listing Rules.

As at the date of this report, the total number of shares available for issue under the Scheme is 82,516,000 shares and represent 9.06% of the issued share capital of the Company.

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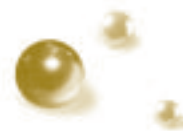
Share options (Cont'd)

Details of the share options outstanding as at 31st December 2005 which have been granted under the scheme are as follows:

	Number of options			Exercise price HK\$	Grant date	Exercisable from	Exercisable until
	Held at 1st January 2005	Exercised during the year	Held at 31st December 2005				
Directors							
Wang Guanghao	1,000,000	–	1,000,000	3.10	23rd December 2004	28th December 2004	21st November 2007
Ren Xuefeng	900,000	–	900,000	3.10	23rd December 2004	28th December 2004	21st November 2007
Yu Rumin	900,000	–	900,000	3.10	23rd December 2004	28th December 2004	21st November 2007
Zhang Hongru	800,000	–	800,000	3.10	23rd December 2004	28th December 2004	21st November 2007
Nie Jiansheng	700,000	–	700,000	3.10	23rd December 2004	28th December 2004	21st November 2007
Wang Jiandong	600,000	–	600,000	3.10	23rd December 2004	28th December 2004	21st November 2007
He Xiuheng (note 1)	300,000	–	300,000	3.10	23rd December 2004	28th December 2004	21st November 2007
Yang Liheng (note 1)	300,000	–	300,000	3.10	23rd December 2004	28th December 2004	21st November 2007
Sun Zengyin	300,000	–	300,000	3.10	23rd December 2004	28th December 2004	21st November 2007
Pang Jinhua	300,000	–	300,000	3.10	23rd December 2004	28th December 2004	21st November 2007
Ye Disheng	300,000	–	300,000	3.10	23rd December 2004	28th December 2004	21st November 2007
Continuous contract employees	200,000	(200,000) (note 2)	–	2.204	23rd May 2001	1st July 2003	21st November 2007
	500,000	–	500,000	3.10	23rd December 2004	28th December 2004	21st November 2007

Notes:

- 1 The share options of Mr. He Xiuheng and Mr. Yang Liheng lapsed on 31st January 2006 and 19th April 2006 respectively, following their resignation.
- 2 200,000 share options exercised by an employee on 24th November 2005.



Directors

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

Executive directors:

Mr. Wang Guanghao	
Dr. Ren Xuefeng	
Mr. Yu Rumin	
Dr. Zhang Hongru	
Mr. Nie Jiansheng	
Dr. Wang Jiandong	
Mr. Bai Zhisheng	<i>appointed on 1st January 2006</i>
Mr. He Xiuheng	<i>resigned on 1st January 2006</i>
Mr. Zhang Wenli	<i>appointed on 20th March 2006</i>
Mr. Yang Liheng	<i>resigned on 20th March 2006</i>
Mr. Sun Zengyin	
Dr. Pang Jinhua	

Non-executive directors:

Mr. Ye Disheng
Mr. Kwong Che Keung, Gordon*
Mr. Cheung Wing Yui
Mr. Lau Wai Kit*
Dr. Cheng Hon Kwan*

* *Independent Non-executive Directors*

In accordance with Articles 92 and 101 of the Company's Articles of Association, Messrs Yu Rumin, Wang Jiandong, Sun Zengyin, Ye Disheng and Cheung Wing Yui will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The terms of office of the non-executive directors are subject to retirement as required by the Company's Articles of Association.

Directors' service contracts

Messrs Wang Guanghao and Yu Rumin, have entered into service agreements with the Company for a period of three years commencing 1st December 1997 and will continue thereafter until terminated by either party giving not less than six months' prior written notice to the other.

Save for the above, none of the directors of the Company has a service contract with the Company or any of its subsidiaries which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

Report of the Directors

Directors' interests in contracts

No contracts of significance in relation to the Company's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding company 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' interests in shares

At 31st December 2005, the directors and their associates had the following interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"):

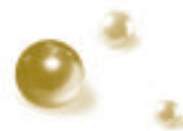
(i) Interest in the Company

Directors	Personal interests in shares	Number of underlying shares held pursuant to share options	Total interests	Percentage of the Company's issued share capital
Mr. Wang Guanghao	–	1,000,000	1,000,000 ¹	0.11%
Dr. Ren Xuefeng	–	900,000	900,000 ¹	0.10%
Mr. Yu Rumin	–	900,000	900,000 ¹	0.10%
Dr. Zhang Hongru	–	800,000	800,000 ¹	0.09%
Mr. Nie Jiansheng	–	700,000	700,000 ¹	0.08%
Mr. He Xiuheng	–	300,000	300,000 ¹	0.03%
Mr. Yang Liheng	–	300,000	300,000 ¹	0.03%
Mr. Sun Zengyin	–	300,000	300,000 ¹	0.03%
Dr. Pang Jinhua	–	300,000	300,000 ¹	0.03%
Mr. Ye Disheng	–	300,000	300,000 ¹	0.03%
Dr. Wang Jiandong	450,000	600,000	1,050,000 ¹	0.12%

Notes:

¹ These interests are held in the capacity as a beneficial owner.

Details of the Directors' interests in share options granted by the Company are set out under the section "Share options".



Directors' interests in shares (Cont'd)

(ii) Long positions in shares of associated corporation

Name of associated corporation	Name of Director	Capacity	Nature of interest	No. of shares held	Approximate percentage of shares in issue
Dynasty Fine Wines Group Limited	Dr. Wang Jiandong	Beneficial owner	Personal interest	17,307	0.001%

(ii) Long positions in underlying shares of equity derivatives of associated corporation

Name of associated corporation	Name of Director	Capacity	Nature of interest	No. of shares held	Approximate percentage of shares in issue
Dynasty Fine Wines Group Limited	Mr. Wang Guanghao	Beneficial owner	Personal interest	900,000	0.07%
	Mr. Nie Jiansheng	Beneficial owner	Personal interest	1,950,000	0.16%
	Mr. He Xiuheng (note)	Beneficial owner	Personal interest	2,300,000	0.19%
	Mr. Bai Zhisheng	Beneficial owner	Personal interest	1,100,000	0.09%

Note: Mr. He Xiuheng resigned as director of Dynasty Fine Wines Group Limited with effect from 1st January 2006.

Substantial shareholders

As at 31st December 2005, the following persons or corporations, other than the directors or chief executives of the Company as disclosed above, had interests 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 SFO:

Name of Shareholder	Capacity	Number of Shares/underlying Shares held	Approximate percentage of issued Shares
Tsinlien (Note 2)	Interest of controlled corporations	583,189,143 (L)	64.04%
Deltaway Inc. (Note 3)	Beneficial owner	90,000,000 (L)	9.88%
Pacific Foundation Assets Management Limited (Note 4)	Interest of controlled corporations	90,000,000 (L)	9.88%
Lo Shiu Wing, Chester (Note 4)	Interest of controlled corporations	90,000,000 (L)	9.88%
Lo Tak Wing, Benson (Note 4)	Interest of controlled corporations	90,000,000 (L)	9.88%
ABN AMRO Holding N.V.	Interest of controlled corporation(s)	102,564,103 (L)	11.27%
	Custodian/approved lending agent	76,000 (P)	0.01%

Report of the Directors

Substantial shareholders (Cont'd)

Notes:

1. *The letter "L" stands for the shareholder's long position (within the meaning of the SFO) in Shares. The letter "S" stands for the shareholder's short position. The letter "P" stands for lending pool.*
2. *As at 31st December 2005, Tianjin Investment Holdings Limited ("Tianjin Investment") and Tsinlien Venture Capital Company Limited (formerly known as Tsinlien Property Services Limited) ("Tsinlien Venture"), both being wholly-owned subsidiaries of Tsinlien, held 581,167,143 shares and 2,022,000 shares respectively. Mr. Wang Guanghao acted as trustee of Tianjin Investment held 10 shares. By virtue of the SFO, Tsinlien is taken to have interest in the shares held by Tianjin Investment and Tsinlien Venture.*
3. *The interest of Deltaway Inc. (an independent third party) were held pursuant to the option agreement dated 15 January 2004 entered into between Deltaway Inc. and the Company whereby the Company granted an option to Deltaway Inc. to subscribe for 90,000,000 new shares at a subscription price of HK\$4.10 per option share, for a consideration of HK\$2.4 million.*

The share option expired and cancelled on 24th February 2006.

4. *Pacific Foundation Assets Management Limited, Mr. Lo Shiu Wing, Chester and Mr. Lo Tak Wing, Benson were deemed under the SFO to be interested in 90,000,000 shares held by Deltaway Inc. pursuant to the option agreement as referred to in note 3 above.*

Save as disclosed herein, the Company has not been notified by any other person or corporation, other than the directors or chief executives of the Company, who had an interest or 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.

Management contracts

A subsidiary acquired on 29th December 2003 has a road management agreement dated 12th February 2001 with an independent third party to appoint it to be responsible for the overall management, toll collection and repair and maintenance of the Jinbin Expressway for a term of 5 years commencing from 1st April 2001.

Save for the road management contracts mentioned above, no other contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.



Major customers and suppliers

During the year, the aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's sales.

The percentage of the Group's purchases for the year attributable to the Group's major suppliers are as follows:

- the largest supplier 42%
- the five largest suppliers in aggregation 52%

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers noted above.

Connected transactions

Each of Tianjin Port Authority (the "Port Authority"), Tianjin Agricultural Cultivation Group Company (the "Agricultural Group Company") and Tianjin Mechanical and Electrical Holding Company (the "Mechanical Company") was treated as connected person to the Company under the Listing Rules since the listing of the shares of the Company in December 1997.

In 2005, the Company obtained a confirmation that the Stock Exchange no longer considered each of the Port Authority, the Agricultural Group Company and the Mechanical Company a connected person to the Company. Therefore, transactions entered into between the Group and each of the above entities did not constitute connected transactions for the year ended 31st December 2005.

The Group has entered into the following connected transactions in the ordinary and usual course of the Group's activities:

(a) Transaction with Tsinlien

The Group entered into tenancy agreements with Tsinlien Realty Limited ("Tsinlien Realty"), a wholly owned subsidiary of Tsinlien, to lease 10 car parks and office premises for the period from 1st August 2002 to 31st December 2003 at a monthly rental of HK\$370,000. The tenancy agreement was renewed on 2nd March 2004 for a period of one year commencing from 1st January 2004 at the same monthly rental of HK\$370,000. The tenancy agreement was renewed on 21st April 2005 for a period of one year commencing from 1st January 2005 at the same monthly rental of HK\$370,000. The aforesaid agreement was terminated on November 2005.

A total rental of HK\$3,700,000 was paid to Tsinlien Realty in respect of the year ended 31st December 2005 (2004: HK\$4,440,000).

In respect of the aforesaid agreement, announcements dated 19th February 2001, 8th November 2001, 26th November 2002, 9th January 2003, 2nd March 2004 and 21st April 2005 have been published by the Company.

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Connected transactions (Cont'd)

(b) Transaction with Tianjin Benefo TeJing Electric Company Limited

On 21st December 2005, Tianjin Tai Kang Industrial Co., Ltd. (天津泰康實業有限公司) ("Tai Kang") entered into a capital injection and transfer of equity interests agreement with an associate of a substantial shareholder of Tai Kang, Zhang Zhi Hai, Xing Shu An, Tianjin BaiLi TianKai Electrical Equipment Company Limited (天津市百利天開電器有限公司) ("TianKai"), Tianjin Switchgear Factory (天津市開關廠) and Tianjin Benefo TeJing Electric Company Limited (天津百利特精電氣股份有限公司) in respect of the capital injection made by Tai Kang in the amount of RMB20,000,000 in TianKai, whereas RMB12,763,200 would be contributed to the registered capital of TianKai, and the remaining RMB7,236,800 would be contributed to the capital reserve of TianKai. After completion, Tai Kang held approximately 29.56% of the equity interest in TianKai.

In respect of the aforesaid transaction, announcement dated 23rd December 2005 has been made by the Company.

The above transactions constitute related party transactions and where material are disclosed in note 41 to the accounts.

Compliance with the Model Code of the Listing Rules

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules in respect of directors' securities transactions throughout the year. The directors of the Company have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions.

Compliance with the Code on Corporate Governance Practices

The Company has complied with all the code provisions except for A.4.1 and A.4.2 as set out in the Code of Corporate Governance Practices contained in Appendix 14 to the Listing Rules (the "Code Provisions"). Please also refer to Corporate Governance Report on pages 23 to 29 for details.

Details of the audit committee and remuneration committee are set out in the Corporate Governance Report.



Audit committee

An audit committee currently comprising three independent non-executive directors, namely Mr. Kwong Che Keung, Gordon, Mr. Lau Wai Kit and Dr. Cheng Hon Kwan was established in 1998.

By reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants, written terms of reference which describe the authority and duties of the audit committee were prepared and adopted by the Board of the Company. The Audit Committee held two meetings during the year.

The annual results have been reviewed by the audit committee of the Company.

Subsequent event

On 10th January 2006, the Group entered into a conditional sale and purchase agreement with Tsinlien and Progress City Group Limited to acquire approximately 90.9421% interest in Tianjin TEDA Tsinlien Heat & Power Co., Limited (天津泰達津聯熱電有限公司) ("Heat Company"). The acquisition would be satisfied by cash consideration of HK\$350.1 million and issue of 20 million of the Company's shares. The Heat Company is principally engaged in the distribution of steam for industrial uses and heating for commercial and residential purposes within the Tianjin Economic-Technological Development Area. The acquisition was completed in April 2006.

Public float

From information publicly available to the Company and within the knowledge of its directors, at least 25% of the Company's total issued share capital are held by the public at all times during the period under review.

Auditors

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

By Order of the Board

Wang Guanghao

Chairman

Hong Kong SAR, 20th April 2006