

Directors' Report

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 36 and 17 to the financial statements, respectively.

RESULTS

The results of the Group for the year ended 31 December 2005 are set out in the consolidated income statement on page 35.

DIVIDENDS

The Board did not recommend the payment of any dividends for the year.

PLANT AND EQUIPMENT

Details of movements during the year in plant and equipment of the Group are set out in note 14 to the financial statements.

INVESTMENT PROPERTIES

Details of movements during the year in investment properties of the Group are set out in note 15 to the financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in note 27 to the financial statements.

RESERVES

Details of movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity.

Directors' Report (Continued)

DIRECTORS

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

Executive directors:

Mr. Li Guanghao - Chairman

Mr. Li Zhaohui

Mr. Chen Baodong

Mr. Liang Xudong, Robert (resigned on 1 March 2005)

Independent non-executive directors:

Ms. Lou Aidong

Mr. Wang Ligui (appointed on 30 June 2005)

Mr. Lu Wennian (appointed on 30 June 2005)

Mr. Cheung Hok Fung, Alexander (resigned on 30 June 2005)

Ms. Leung Fung Yee, Alice (resigned on 30 June 2005)

In accordance with Article 94 of the Company's Articles of Association, all the existing directors retire at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

The independent non-executive directors are not appointed for specific term but are subject to retirement by rotation in accordance with the Company's Articles of Association.

SERVICE CONTRACTS OF DIRECTORS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

RELATED PARTY TRANSACTIONS

Details of related party transactions are disclosed in note 34 to the financial statements.

Directors' Report (Continued)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2005, none of the directors or the chief executives of the Company 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 SFO) which are required (a) to be recorded in the register required to be kept under section 352 of the SFO; or (b) to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

The Group does not have any share option scheme.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance 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.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2005, the interests or short positions of the persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Capacity	No. of ordinary shares	% in total issued shares
(i) Mr. Shen Song Ning	Through controlled corporation (ii)	8,780,000	24.99
(ii) Max Team Investments Limited	Through controlled corporation (iii)	8,780,000	24.99
(iii) Honourable International Holdings Limited	Beneficial owner	8,780,000	24.99

All the interests stated above represented long positions in the shares of the Company as at 31 December 2005, there were no short positions recorded in the register required to be kept under section 336 of the SFO.

Directors' Report (Continued)

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

COMPETITION AND CONFLICTS OF INTERESTS

None of the directors or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 December 2005 with the Code of Best Practice as set out in Appendix 14 to The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") except that the independent non-executive directors were not appointed for a specific term as set out in Appendix 14 of the Listing Rules but are subject to retirement by rotation and re-election at annual general meetings in accordance with the Company's Articles of Association. And that Mr. Li Guanghao is taking up both the roles of chairman and chief executive officer in view of the existing Group structure and business operation. The directors will consider separating the roles to match business expansion in future if appropriate.

For other minor non-compliances, please refer to the details as set out in the Corporate Governance Report Section.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

Throughout the year ended 31 December 2005, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions based on the specific enquiry of all the directors of the Company.

Please see the "Corporate Governance Report" set out on pages 6 to 25 of this annual report of the Company for details of its compliance with the Code on Corporate Governance Practices.

INDEPENDENCY OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, and annual confirmation of the independency pursuant to Rule 3.13 of the Listing Rules on the Stock Exchange. The Company considers all of the independent non-executive directors are independent.

Directors' Report (Continued)

AUDIT COMMITTEE

The Group's annual report for the year ended 31 December 2005 has been reviewed by the Audit Committee. Information on the work of Audit Committee and its composition are set out in the Corporate Governance report on pages 6 to 25 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The Group has no major suppliers, as defined under the Listing Rules of The Stock Exchange of Hong Kong Limited.

The aggregate amount of turnover attributable to the Group's largest customer represented 71% and its five largest customers represented 100% of the Group's total turnover.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

POST BALANCE SHEET EVENT

Details of a significant post balance sheet event are set out in note 35 to the financial statements.

AUDITORS

Following the expiry of the terms of office of Messrs. Deloitte Touche Tohmatsu ("DTT") as auditors of the Company, Ho and Ho & Company ("Ho and Ho") was appointed as auditors of the Company at the Annual General Meeting held on 28 June 2005.

On 17 November 2005, ShineWing (HK) CPA Limited ("ShineWing (HK)") replaced Ho and Ho as the auditors of the Company. ShineWing (HK) was established as a result of the internal restructuring of Ho and Ho, which has joined ShineWing Certified Public Accountants in China. Accordingly, Ho and Ho resigned on 17 November 2005 and ShineWing (HK) was appointed on the same day to fill the casual vacancy.

On behalf of the Board

Li Guanghao

Chairman

Hong Kong, 27 April 2006.