

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 16 to the financial statements.

RESULTS

The results of the Group for the year ended 31 December 2005 are set out in the consolidated income statement on page 27.

PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND PROPERTIES UNDER DEVELOPMENT FOR FUTURE SALE

Details of movements in property, plant and equipment, investment properties and properties under development for future sale during the year are set out in notes 14, 15 and 19 to the financial statements respectively.

SHARE CAPITAL

Details of share capital of the Company are set out in note 32 to the financial statements.

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

DISTRIBUTABLE RESERVES

As at 31 December 2005 and 31 December 2004, the Company had no distributable reserves, calculated in accordance with Section 79B of the Companies Ordinance.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate amount of turnover attributable to the five largest customers represented 43.81% of the Group's total turnover. Sales to the largest customer included therein amounted to 35.73%.

During the year, the aggregate amount of purchases (not including purchases of items which are of a capital nature) attributable to the five largest suppliers represented 45.86% of the Group's total purchases. Purchases from the largest supplier amounted to 37.75% of the Group's total purchases.

None of the directors of the Company or any of their associates or any shareholders, which to the best knowledge of the Company's directors, own more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest customers or suppliers for the year ended 31 December 2005.

DIRECTOR'S REPORT

DIRECTORS

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

Mr. ZHANG Guotong	<i>(Executive Director, Vice Chairman and Managing Director)</i>
Mr. WANG Hongxin	<i>(Executive Director, appointed on 29 March 2005)</i>
Mr. WU Chun Wah, Michael	<i>(Executive Director, resigned on 10 February 2006)</i>
Mr. LI Tiefeng	<i>(Executive Director, resigned on 29 March 2005)</i>
Mr. MA Zhengwu	<i>(Non-executive Director, Chairman)</i>
Mr. HONG Shuikun	<i>(Non-executive Director)</i>
Ms. XU Zhen	<i>(Non-executive Director, appointed on 29 March 2005)</i>
Mr. GU Laiyun	<i>(Non-executive Director)</i>
Mr. CHEN Shengjie	<i>(Non-executive Director, resigned on 29 March 2005)</i>
Mr. KWONG Che Keung, Gordon	<i>(Independent non-executive Director)</i>
Mr. TSUI Yiu Wa, Alec	<i>(Independent non-executive Director)</i>
Mr. LAO Youan	<i>(Independent non-executive Director)</i>

In accordance with Article 105 of the Company's Articles of Association, Messrs. Kwong Che Keung, Gordon, Tsui Yiu Wa, Alec and Lao Youan to be retired by rotation and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The term of office of each non-executive director is the year up to his retirement by rotation in accordance with the Company's Articles of Association.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

There were no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director had a material interest, either 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 IN SHARES, UNDERLYING SHARES AND DEBENTURES

	Date of grant	Exercisable period	Exercise price HK\$	Number of shares			At 31 December 2005	Aggregate long position in underlying shares to issued share capital of the Company %
				At 1 January 2005	Granted during the year	Lapsed during the year		
Directors								
Ma Zhengwu	8.3.2004	9.3.2005 to 8.3.2009	0.364	1,200,000	-	-	1,200,000	0.07
Zhang Gutong	8.3.2004 28.9.2004	9.3.2005 to 8.3.2009 29.9.2005 to 28.9.2008	0.364 0.245	1,200,000 3,000,000	- -	- -	1,200,000 3,000,000	0.25
Li Tiefeng (resigned on 29 March 2005)	8.3.2004	9.3.2005 to 8.3.2009	0.364	1,200,000	-	(1,200,000)	-	
Wu Chun Wah, Michael (resigned on 10 February 2006)	8.3.2004 28.9.2004	9.3.2005 to 8.3.2009 29.9.2005 to 28.9.2008	0.364 0.245	1,200,000 3,000,000	- -	- -	1,200,000 3,000,000	0.25
Hong Shuikun	8.3.2004	9.3.2005 to 8.3.2009	0.364	1,200,000	-	-	1,200,000	0.07
Chen Shengjie (resigned on 29 March 2005)	8.3.2004	9.3.2005 to 8.3.2009	0.364	1,200,000	-	(1,200,000)	-	-
Gu Laiyun	8.3.2004 28.9.2004	9.3.2005 to 8.3.2009 29.9.2005 to 28.9.2008	0.364 0.245	1,200,000 2,000,000	- -	- -	1,200,000 2,000,000	0.19
Xu Zhen (appointed on 29 March 2005)	8.3.2004	9.3.2005 to 8.3.2009	0.364	600,000	-	-	600,000	0.04
				<u>17,000,000</u>	<u>-</u>	<u>(2,400,000)</u>	<u>14,600,000</u>	
Other employees								
In aggregate	8.3.2004 28.9.2004	9.3.2005 to 8.3.2009 29.9.2005 to 28.9.2008	0.364 0.245	14,000,000 24,050,000	- -	(1,750,000) (1,000,000)	12,250,000 23,050,000	
				<u>38,050,000</u>	<u>-</u>	<u>(2,750,000)</u>	<u>35,300,000</u>	2.09
Total				<u>55,050,000</u>	<u>-</u>	<u>(5,150,000)</u>	<u>49,900,000</u>	

All the interests stated above represent long positions. As at 31 December 2005, no short positions were recorded in the Register of Directors' and Chief Executives' Interests and Short Positions required to be kept under Section 352 of Part XV of the SFO.

Save as disclosed above, as at 31 December 2005, none of the Directors or Chief Executives of the Company nor their spouses or children under 18 years of age were granted, or had exercised, any rights to subscribe for any equity or debt securities of the Company or any of its Associated Corporations.

DIRECTOR'S REPORT

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Other than the share option disclosed above, 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' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2005, the Register of Interests and Short Positions in Shares and Underlying Shares maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests in the shares and underlying shares of the Company:

Name of shareholder	Capacity	Number of shares	Percentage of issued share capital of the Company
World Gain Holdings Limited	Controlled corporation (<i>note</i>)	608,201,500	36%
China Chengtong Hong Kong Company Limited	Controlled corporation (<i>note</i>)	608,201,500	36%
China Chengtong Holdings Company	Beneficial owner	608,201,500	36%

Note: The entire issued share capital of World Gain Holdings Limited is beneficially owned by China Chengtong Hong Kong Company Limited and the entire issued share capital of which is beneficially owned by China Chengtong Holdings Company.

All the interest stated above represent long position. As at 31 December 2005, no Short Positions were recorded in the Register of Interests and Short Positions in Shares and Underlying Shares required to be kept under Section 336 of the SFO.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the shares and underlying shares of the Company as at 31 December 2005.

DISCLOSURE PURSUANT TO THE LISTING RULES

As at 31 December 2005, the aggregate amount of advances made by the Group to its associates was approximately HK\$161,080,000. Particulars of these advances are set out in note 23 to the financial statements.

The balance sheet of the associate, Goodwill (Overseas) Limited as at 31 December 2005 disclosed in accordance with 13.22 of Chapter 13 of the Listing Rules is as follows:

	<i>HK\$'000</i>
Non-current assets	496,651
Current assets	23
Current liabilities	(573)
Net current liabilities	(550)
Non-current liabilities	
Shareholders' loans	(499,505)
Net liabilities	<u>(3,404)</u>

CONNECTED TRANSACTION

On 24 August 2005, Zhongshi Investment Company Limited 中實投資有限責任公司, a 70% owned subsidiary of the Group made a short term loan ("Short Term Loan") of RMB50 million (about HK\$48.2 million) to Beijing Jinguadu Real Estate Development Company Limited 北京京華都房地產開發有限公司 ("Jinguadu") at an interest rate of 8% per annum, repayable within two months from the date of borrowing. The principal of the Short Term Loan of RMB50 million with interest in the amount of RMB1,232,000 (about HK\$1.2 million) were received on 15 November 2005.

Jinguadu is an indirectly owned subsidiary of China Chengtong Holdings Company, which is, in turn, the ultimate holding company of the substantial shareholder (as defined in the Listing Rules) of the Company, World Gain Holdings Limited. Accordingly, the Short Term Loan constituted a connected transaction of the Company under the Listing Rules.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 23 and 25 to the financial statements.

FINANCIAL SUMMARY

A summary of the Group's results and its assets and liabilities for the year ended 31 December 2005 and the past four financial years is set out on page 78.

AUDITORS

The financial statements of the Company for the year ended 31 December 2005 were audited by Messrs. Deloitte Touche Tohmatsu.

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

MA ZHENGWU
CHAIRMAN

Beijing
21 April 2006