

## Report of the Directors

The directors have pleasure in presenting their annual report together with the audited financial statements for the year ended 31 December 2005.

### PRINCIPAL ACTIVITIES

The principal activity of the Company continues to be investment holding. The principal activities of its subsidiaries are principally engaging in property development business and provision of travel related services.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2005 are set out in the consolidated income statement on page 30.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2005.

### FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 94.

### SHARE CAPITAL

Details of movement in the share capital on the Company are set out in note 39 to the financial statements.

### RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out in note 40 to the financial statements.

### PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company during the year are set out in note 13 to the financial statements.

### PROPERTIES FOR SALE

Details of movement in properties for sale of the Group and the Company during the year are set out in note 22 to the financial statements.

### DIRECTORS

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

#### Executive directors

Mr. Dai Zhikang  
Mr. Fang Bin (appointed on 18 October 2005)  
Mr. Zhang Wei  
Mr. Lu Puling (appointed on 18 October 2005)  
Mr. Wang Xiangang (appointed on 18 October 2005)  
Mr. Tang Jian  
Mr. Ye Wenbin (appointed on 18 October 2005)  
Mr. Zhao Hangsheng (resigned on 18 October 2005)  
Mr. Zhu Nansong (resigned on 18 October 2005)

#### Independent non-executive directors

Mr. Lai Chik Fan  
Mr. Lo Mun Lam, Raymond  
Dr. Tse Hiu Tung, Sheldon (appointed on 14 October 2005)  
Mr. Ma Chi Kui, Sandroff (resigned on 15 July 2005)

According to bye-law 86(2) of the bye-laws of the Company, Mr. Fang Bin, Mr. Lu Puling, Mr. Wang Xiangang, Mr. Ye Wenbin and Dr. Tse Hiu Tung, Sheldon shall hold office only until the forthcoming annual general meeting and shall then be eligible for re-election at that meeting. According to bye-law 87(1), Mr. Dai Zhikang and Mr. Lai Chik Fan shall retire from office by rotation and then be eligible for re-election at the forthcoming annual general meeting.

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

## Report of the Directors

### DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

As at 31 December 2005, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept by the Company pursuant to 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 Companies, are set out below:

<b>Name of director</b>	<b>Nature of interests</b>	<b>Number of issued ordinary shares of the Company held</b>	<b>Approximate percentage of issued share capital</b>
Mr. Dai Zhikang	Interests held by controlled corporation (Note)	2,520,795,000	51.33%
Mr. Fang Bin	Beneficial interests	50,000,000	1.02%
Mr. Zhang Wei	Beneficial interests	50,000,000	1.02%
Mr. Lu Puling	Beneficial interests	30,000,000	0.61%
Mr. Wang Xiangang	Beneficial interests	20,000,000	0.41%
Mr. Tang Jian	Beneficial interests	10,000,000	0.20%
Mr. Ye Wenbin	Beneficial interests	5,000,000	0.10%

Note: These 2,520,795,000 shares were held by Giant Glory Assets Limited. Giant Glory Assets Limited is wholly-owned by Mr. Dai Zhikang. Mr. Dai Zhikang is therefore deemed to be interested in the 2,520,795,000 shares held by Giant Glory Assets Limited pursuant to the SFO.

### **DIRECTORS' INTERESTS IN SHARES OR DEBENTURES** *(Continued)*

All interests stated above represent long position held in the shares of the Company.

Save as disclosed above, none of the directors or chief executives of the Company had any interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO on or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as at 31 December 2005.

### **DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS**

None of the directors has entered into service contract with the Company

### **DIRECTORS', SUPERVISORS AND SENIOR EXECUTIVES' EMOLUMENTS**

Details of the directors', supervisors and senior management are set out in note 9 to the financial statements. The Group's general policy on remuneration is to maintain fair and competitive packages based on industry practice and market conditions. The following factors are considered when determining the remuneration packages of executive directors:

- Business needs;
- The Group's results and performance;
- Appraisal of individual contributions to results of the Group;
- Changes in market conditions such as demand and supply.

Furthermore, the Company has adopted a share option scheme as a long term incentive scheme to all eligible staff of the Group.

### **SHARE OPTIONS**

Details of the share option scheme adopted by the Company are set out in note 39 to the financial statements. At the date of this report, no share option has been granted under the share option scheme.

## Report of the Directors

### ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme set out in note 39 to the financial statements, at no time during the year was the Company, its holding 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 and neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than the connected transactions set out in note 46 to the financial statements, no contracts of significance to which the company, its holding company or any of 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 any time during the year.

### CONNECTED AND RELATED PARTY TRANSACTIONS

During the year, the Group entered into certain related party transactions which also constitute connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has complied with the disclosure requirements of chapter 14A of the "Listing Rules" and details of these transactions are set out in note 46 to the financial statements.

### DIRECTORS' INTEREST IN COMPETING BUSINESS

Pursuant to rule 8.10 of the Listing Rules, the Company discloses that during the year and up to the date of this report, Mr. Dai Zhikang held directorships in Shanghai Zendai Investment Development Company Limited, and/or its subsidiaries (collectively referred to as the "Zendai Group"), which are also engaged in property development and related business.

As the board of directors of the Group operates independently from the boards of Zendai Group, the Group operates its business independently or, and at arm's length from, the business of Zendai Group.

## 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 by the Company pursuant to section 336 of the SFO were as follows:

Name	Nature of interests	Number of issued ordinary shares of the Company held	Number of underlying shares held under equity derivatives	Approximate percentage of the issued share capital
Giant Glory Assets Limited (Note 1)	Beneficial interests	2,520,795,000	–	51.33%
Honour Great Holdings Limited (Note 2)	Beneficial interests	496,900,000	–	10.12%
Ms. Liu Lijuan (Note 2)	Interests of controlled corporation	496,900,000	–	10.12%
Genuine Assets Limited (Note 3)	Beneficial interests	300,000,000	–	6.11%
Huang Jin (Note 3)	Interests of controlled corporation	300,000,000	–	6.11%
Value Partners Limited (Note 4)	Investment manager	750,000	333,333,333	6.80%
Mr. Cheah Cheng Hye (Note 4)	Interests of controlled corporation	750,000	333,333,333	6.80%

Note 1. These shares are the same as the deemed interest of Mr. Dai Zhikang as referred to in the note under the section headed "Directors' interests in shares or debentures" above.

Note 2. Ms. Liu Lijuan is the beneficial owner of the entire issued share capital of Honour Great Holdings Limited and therefore is deemed to be interested in the shares held by Honour Great Holdings Limited pursuant to the SFO.

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### SUBSTANTIAL SHAREHOLDERS *(Continued)*

*Note 3.* Ms. Huang Jin is the beneficial owner of the entire issued share capital of Genuine Assets Limited and therefore is deemed to be interested in the shares held by Genuine Assets Limited pursuant to the SFO.

*Note 4.* Mr. Cheah Cheng Hye is the beneficial owner of 32% issued share capital of Value Partners Limited and therefore is deemed to be interested in the shares and underlying shares held and deemed to be held by Value Partners Limited pursuant to the SFO.

All interests stated above represent long position held in the shares of the Company. Save as disclosed above, as at 31 December 2005, no persons, other than a director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to 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-rate basis to existing shareholders.

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

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

### MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's sales to the five largest customers accounted for 43% of the Group's turnover for the year, of which the largest customer accounted for 36% of the Group's turnover for the year.

During the year, the aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 11% and 21% respectively, of the Group's total purchases for the year.

None of the directors, their associates or any shareholders which to the knowledge of the directors, own more than 5% of the Company's share capital, had any interest in the share capital of any of the five largest customers or suppliers of the Group.

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considered that the independent non-executive directors to be independent.

## POST BALANCE SHEET EVENT

Details of the significant post balance sheet event are set out in note 48 to the financial statements.

## AUDITORS

During the year, KLL Associates CPA Limited resigned and BDO McCabe Lo Limited were appointed as auditors of the Company. Accordingly, a resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO McCabe Lo Limited as auditors of the Company.

## PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors as at 18 April 2006, there was sufficient public float for the shares of the Company.

On behalf of the Board

**Dai Zhikang**

*Director*

April 18, 2005