

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

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Group 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 page 24 to 70.

The Directors do not recommend the payment of any interim or final dividend for the year ended 31 December 2005.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out on page 66 and in note 31 to the financial statements.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution represent the aggregate of share premium and contributed surplus less accumulated losses. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Articles of Association and provided that immediately following the distribution of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business.

The Company had no reserves available for distribution to shareholders as at 31 December 2005.

PROPERTY, PLANT AND EQUIPMENT

Movements during the year in the property, plant and equipment of the Group are set out in note 15 to the financial statements.

DIRECTORS

The directors of the Company during the year were:

Executive directors

Mr. Han Junran (*Chairman*)

Mr. Fu Yiu Kwong

Mr. Tam Biu Sing, Joseph (retired on 23 June 2005)

Independent non-executive directors

Mr. Chan Yiu Tung, Anthony

Mr. Wong Shing Kay, Oliver

Mr. Zheng Qing

In accordance with the Articles of Association, Mr. Fu Yiu Kwong shall retire from office and, being eligible, offers himself for re-election at the forthcoming Annual General Meeting.

The Company has received annual confirmations of independence from each of the independent non-executive directors of the Company, and as at the date of this report still considers them to be independent.

DIRECTORS' SERVICE CONTRACTS

Each of the Messrs. Han Junran and Fu Yiu Kwong, the executive directors, has entered into a service contract with the Company for a term of two years and continuing thereafter on a yearly basis until terminated by either party giving to the other not less than six months' notice.

The term of each of the independent non-executive directors is from the date they were last elected to the date of their retirement by rotation in accordance with the Company's Articles of Association.

Apart from the above, 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 of compensation, other than statutory compensation.

DIRECTORS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES

As at 31 December 2005, the interests and short positions of the directors and their associates in the share capital and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("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 were as follows:

Long positions

Ordinary shares of HK\$0.001 each of the Company

Name of director	Capacity	Number of issued ordinary shares held Long position (L)/ Short position (S)	Percentage of the issued share capital of the Company
Han Junran ("Mr. Han")	Beneficial owner (Note i)	13,587,900 (L) 13,587,900 (S)	5%

Note:

- (i) Pursuant to a share charge entered into between New Rank Groups Limited ("NRG"), a wholly-owned subsidiary of Silver World Limited which is, in turn, wholly-owned by Royal Bank of Canada Trust Company (Cayman) Limited ("Royal Bank Trustee"), and Mr. Han as chargors and Starry Joy Properties Investment Ltd. ("Starry Joy"), a wholly-owned subsidiary of Poly (Hong Kong) Investments Limited ("Poly HK"), as chargee dated 23 June 2003, among other things, Mr. Han charged his interest 5% of the issued share capital of the Company, representing 13,587,900 shares of the Company, in favour of Starry Joy.

Other than as disclosed above, none of the directors nor their associates had any interests and short positions in the share capital and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which is required to be recorded in the register to be kept under 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.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company and 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.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 14 June 2002 which remains in force for a period of 10 years from the date of adoption. No options have been granted during the year and all the outstanding options were lapsed.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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, and neither the directors nor any of their spouse or children under the age of 18, had any rights to subscribe for the securities of the Company, or exercised any such rights.

MANAGEMENT CONTRACT

The Company had entered into a management contract with Million Rich Consultants Limited ("Million Rich") during the year ended 31 December 2003 for the provision of administrative and financial advisory services to the Group. An amount of HK\$3,600,000 was paid during the year ended 31 December 2005. The contract is determinable by either party giving to the other party to the agreement six months' notice. No director of the Company has any interest in Million Rich.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of SFO shows that other than the interests disclosed above in respect of a director of the Company, the following persons had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Name of shareholder	Capacity	Number of issued ordinary shares held (long position (L)/ short position (S))	Percentage of the issued share capital of the Company
Poly HK	Person having a security interest in shares (Note 1)	67,939,500 (L)	25%
NRG	Beneficial owner (Notes 1 and 2)	54,351,600 (L) 54,351,600 (S)	20%
Silver World Limited	(Note 2)	54,351,600 (L) 54,351,600 (S)	20%
Royal Bank Trustee	(Note 3)	54,351,600 (L) 54,351,600 (S)	20%
Wei Ping	Beneficial owner	47,032,000 (L)	17.31%
Lu Shu Guang	(Notes 1 and 5)	13,587,900 (L)	5%

Notes:

- (1) Pursuant to a share charge entered into between NRG and Mr. Han as chargors and Starry Joy, a wholly-owned subsidiary of Poly HK, as chargee dated 23 June 2003, NRG and Mr. Han charged their respective interests 20% and 5% of the issued share capital of the Company, representing 54,351,600 and 13,587,900 shares of the Company respectively, in favour of Starry Joy. By virtue of its shareholding in Starry Joy, Poly HK is deemed to be interested in 67,939,500 shares of the Company under the SFO.
- (2) NRG is a wholly-owned subsidiary of Silver World Limited which is, in turn, wholly-owned by Royal Bank Trustee.
- (3) Royal Bank Trustee is the trustee of a discretionary trust called New Rank Trust. The beneficiaries of the New Rank Trust include a holding company and its wholly-owned subsidiary and certain relatives of Mr. Leung Kwo and Ms. Lau Shun, wife of Mr. Leung Kwo, provided that such individuals are not residents of Canada for tax purpose nor residents of the People's Republic of China ("the PRC"). The holding company is wholly-owned by another discretionary trust called Hold Trust.
- (4) The beneficiaries under the Hold Trust include the lineal descendants (together with their spouses) of every degree of consanguinity of the paternal grandfather and maternal grandfather of each of Mr. Leung Kwo and Ms. Lau Shun provided that they are not residents of Canada for tax purposes nor residents of the PRC.
- (5) Ms. Lu Shu Guang is the spouse of Mr. Han, a director and Chairman of the Company. Ms. Lu is deemed interested in the 13,587,900 shares of the Company held by Mr. Han under the SFO.

So far as is known to any director of the Company, the only company (other than members of the Group) directly or indirectly interested in 5% or more of the voting power at general meetings of the subsidiaries of the Company is set out below:

Name of owner	Name of subsidiary	Percentage of equity interest
Guozheng Economic Development Company Limited ("Guozheng") (Note 1)	Beijing Zhong Zheng Real Estate Development Co., Limited ("BJCSB")	34%
Starry Joy (Note 2)	Tong Sun Limited ("Tong Sun")	49%

Notes:

- (1) BJCSB was established on 5 June 1995. Its existing joint venture partners are Tong Sun, a subsidiary of the Company, Guozheng and Beijing Finance Street Construction & Development Co. Ltd. ("Finance Street Development") and its registered capital is contributed as to 66% by Tong Sun and 34% by Guozheng. Pursuant to an agreement entered into between Finance Street Development, Guozheng and Tong Sun on 9 October 1999, Tong Sun became entitled to 100% of the economic benefit of BJCSB and Guozheng became entitled to a fixed distribution by way of the ownership right of office space in the China Securities Plaza of gross floor area of 7,000 square meters upon the completion of construction of the China Securities Plaza.
- (2) Starry Joy is entitled to a preferred dividend from Tong Sun in the sum of up to HK\$94.6 million together with repayment in full of its loan and loan from Poly HK and interest accrued thereon in priority over the preferred dividends payment to the Group by Tong Sun, which is up to HK\$136 million. After the payment of the aforesaid preferred dividends and repayment of all loans from Starry Joy and Poly HK, any further dividend and/or distribution to be declared by Tong Sun will be paid to the Group and Starry Joy in the proportion of 75% and 25%.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions as at 31 December 2005 representing 5% or more of the issued share capital of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, the directors confirm that the Company has maintained during the year the amount of public float as required under the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company had not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's shares during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated.

MAJOR SUPPLIERS

For the year ended 31 December 2005, purchases attributable to the Group's largest supplier accounted for approximately 17% of the Group's total purchases and aggregate purchases attributable to the five largest suppliers of the Group accounted for approximately 47% of the Group's total purchases.

To the knowledge of the directors, none of the directors, or their respective associates, or shareholders owning more than 5% of the Company's issued share capital had any beneficial interests in any of the five largest customers or suppliers.

AUDITORS

Messrs. Deloitte Touche Tohmatsu and KLL Associates CPA Limited ("KLL") acted as auditors of the Company for the years ended 31 December 2002 and 2003 and for the year ended 31 December 2004, respectively. Subsequent to KLL's resignation in 2005, BDO McCabe Lo Limited ("BDO") were appointed as auditors of the Company. A resolution will be submitted to the annual general meeting to re-appoint BDO as auditors of the Company.

On behalf of the Board

Chairman
Han Junran

Hong Kong, 8 May 2006