

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

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services to its subsidiaries. The activities of its principal subsidiaries are set out in note 37 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 20.

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTIES

The Group revalued its investment properties at the balance sheet date. The increase in fair value, which has been credited to consolidated income statement, amounted to HK\$52.6 million. Details of movements in the investment properties of the Group during the year are set out in note 17 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 28 to the financial statements.

PURCHASE, SALE AND REDEMPTION OF THE LISTED SECURITIES

During the year under review, there were no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate turnover attributable to the Group's five largest customers was less than 30% of the total turnover for the year. The largest supplier and the five largest suppliers accounted for 12% and 40% of the Group's purchases respectively.

DIRECTOR'S REPORT

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) has any interest in any of the Group's five largest suppliers.

DIRECTORS

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

Executive directors:

Ms. Ma Xiaoling (<i>Chairman</i>)	(appointed on 18 July 2005)
Mr. Chan Sze Hon	(appointed on 18 July 2005)
Mr. Xu Ying	(resigned on 5 August 2005)
Mr. Liu Ming Hui	(resigned on 5 August 2005)

Non-executive director:

Mr. Zhang Shuang	(resigned on 1 February 2005)
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Independent non-executive directors:

Mr. Ching Men Ky, Carl	(appointed on 5 August 2005)
Mr. Lin Ruei Min	(appointed on 5 August 2005)
Mr. Shu Wa Tung, Laurence	(appointed on 5 August 2005)
Mr. Wang Xian Jun	(resigned on 5 August 2005)
Mr. Wan Tze Fan, Terence	(resigned on 5 August 2005)
Mr. Liu Fengliang	(resigned on 5 August 2005)

In accordance with clauses 99(A) and 99(B) of the Company's Bye-Laws, Mr. Chan Sze Hon will retire and, being eligible, offer himself for re-election.

Independent non-executive directors are not appointed for a specific term. All directors (including independent non-executive directors) are subject to retirement by rotation in accordance with the Company's Bye-Laws.

DIRECTORS' SERVICE CONTRACTS

No director proposed 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).

DIRECTORS' INTEREST IN SHARES

As at 31 December 2005, the interests of the directors and chief executive of the Company in the equity or debt securities and underlying shares of the Company or any associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which the director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Long positions

Name	Nature of interest	Number of shares held	Percentage to issued share capital
Ms. Ma Xiaoling	Corporate interests <i>(Note)</i>	120,212,256	42.03%

Note: Ms. Ma Xiaoling is the beneficial owner of the entire issued share capital of Keenlead Holdings Limited, which owned 120,212,256 shares in the Company as at 31 December 2005.

Save as disclosed above, as at 31 December 2005, none of the directors and chief executive of the Company had an interest or short position in the equity or debt securities and underlying shares of the Company or any associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which the director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme as disclosed in note 29 to the financial statements, 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.

DIRECTOR'S REPORT

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the 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 at any time during the year.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the directors, as at 31 December 2005, the following shareholders had interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register kept by the Company pursuant to Section 336 of the SFO, who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company:

Long positions

Name of shareholder	Note	Number of shares held	Percentage to issued share capital
Keenlead Holdings Limited	1	120,212,256	42.03%
Ms. Ma Xiaoling	1	120,212,256	42.03%

Short positions

Name of shareholder	Notes	Number of shares held	Percentage to issued share capital
China Main Investment (H.K.) Company Limited	2 and 3	32,000,000	11.19%
Centre Mark Development Limited	2 and 3	32,000,000	11.19%
Sino Elite International Limited	2 and 3	32,000,000	11.19%
China Main Group Company Limited	2 and 3	32,000,000	11.19%
Mr. Chen Dacheng	2 and 3	32,000,000	11.19%
Shenzhen Venture Capital (BVI) Company Limited	2 and 3	32,000,000	11.19%
Mr. Mei Jian	2 and 3	32,000,000	11.19%
Mr. Zhang Minlong	2 and 3	32,000,000	11.19%

Notes:

1. The entire issued share capital of Keenlead Holdings Limited is wholly and beneficially owned by Ms. Ma Xiaoling.
2. China Main Investment (H.K.) Company Limited ("China Main") is owned as to 60% by Centre Mark Development Limited and as to 40% by Sino Elite International Limited. Centre Mark Development Limited is owned as to 99.99% by Mr. Chen Dacheng and as to 0.01% by China Main Group Company Limited. Sino Elite International Limited is owned as to 99.99% by China Main Group Company Limited and as to 0.01% by Mr. Pai Chin Ming. China Main Group Company Limited is owned as to 99% by Mr. Chen Dacheng and as to 1% by Mr. Pai Chin Ming.
3. On 14 April 2003, Shenzhen Venture Capital (BVI) Company Limited ("Shenzhen Venture Capital") reported that it has a security interest in 32,000,000 shares in the Company. Shenzhen Venture Capital is owned as to 50% by Mr. Mei Jian and 50% by Mr. Zhang Minlong.

Save as disclosed above, the Company has not been notified of any other shareholders who had any interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company as at 31 December 2005.

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EMOLUMENT POLICY

The emolument policy regarding the employees of the Group has been set up by the Remuneration Committee and is based on their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to the directors and eligible employees, details of the scheme are set out in note 29 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provision 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-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTOR'S REPORT

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 36 to the financial statements.

AUDITORS

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

Ma Xiaoling

Chairman

Hong Kong, 18 April 2006