

The directors present their annual report and the audited financial statements for the year ended 30 April 2006.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its subsidiaries and associates are set out in notes 42 and 16 respectively to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 April 2006 are set out in the consolidated income statement on page 33.

The directors do not recommend the payment of a final dividend. An interim dividend of HK1.5 cents per ordinary share amounting to HK\$37,254,000 was paid to the shareholders during the year.

PROPERTY, PLANT AND EQUIPMENT

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

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 97. This summary does not form part of the audited financial statements.

SHARE CAPITAL

Details of movements during the year in the issued share capital of the Company are set out in note 31 to the financial statements.

DISTRIBUTABLE RESERVE OF THE COMPANY

As at 30 April 2006, the Company had no reserves available for distribution (2005: HK\$435,677,000, consisted of contributed surplus of HK\$368,234,000 and retained profits of HK\$67,443,000).

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become dues; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Under the Companies Act 1981 of Bermuda (as amended), the Company's share premium account of HK\$1,605,490,000 (2005: HK\$120,849,000) may be distributed in the form of fully paid bonus shares.

DIRECTORS

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

Executive directors:

Mr. Li Song Xiao

Mr. Liu Yi

Ms. Niu Xiao Rong

Mr. Yuan Kun (appointed on 13 September 2005)

Ms. Liu Yan (appointed on 31 July 2006)

Ms. Song Xuan (resigned on 15 June 2006)

Mr. Zhang Huai An (resigned on 15 June 2006)

Independent non-executive directors:

Ms. Nie Mei Sheng

Mr. Wang Shi Yong

Mr. Zheng Kuan

In accordance with clause 87 of the Company's Bye-laws, Mr. Liu Yi, Mr. Yuan Kun, Ms. Liu Yan and Mr. Zheng Kuan retire by rotation and, being eligible, offer themselves for re-election.

In accordance with clause 86(2) of the Company's Bye-laws, Mr. Liu Yi, Mr. Yuan Kun, Ms. Liu Yan and Mr. Zheng Kuan retire and, being eligible, offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS AND COMPANY SECRETARY

Directors

Executive directors

Mr. Li Song Xiao, aged 41, is the Chairman of the Company. Mr. Li graduated from the Department of Architectural Engineering, Nanjing College of Architectural Engineering in 1985 and obtained a masters degree in Architectural Management from the Graduate School of Chongqing College of Architectural Engineering in 1988 and an EMBA degree from Guanghua School of Management, Peking University in 2004. Mr. Li has vast experience in property management and development in the PRC, and has been working in related fields since 1987. Mr. Li is currently vice-chairman of Housing Industry Association of All China Federation of Industry Commerce and assistant head of Consolidate Development Committee of Research Committee of Real Estate and Accommodation in the PRC.

Mr. Liu Yi, aged 53, is the Executive Director and Chief Executive Officer of the Company. Mr. Liu, who graduated from the Department of Biology, Peking University in 1981 and obtained the EMBA degree from Guanghua School of Management, Peking University in 2004, holds the title of Senior Engineer. He has been general manager for several major state-owned enterprises in the PRC, and has over 21 years of experience in senior corporate management. Mr. Liu has successful experience in overall strategic planning, management and business development.

Ms. Niu Xiao Rong, aged 41, is the Executive Director of the Company. Ms. Niu has over 20 years of experience in construction and engineering industries. Ms. Niu holds a bachelor degree of construction from The Nanjing College of Architectural Engineering, the PRC.

Mr. Yuan Kun, aged 32, is the Executive Director and Financial Controller of the Company. Mr. Yuan has over 8 years of experience in the fields of finance and investment. Prior to joining the Company, Mr. Yuan has worked for the investment banking division of Hai Tong Securities Limited in the PRC. Mr. Yuan holds an accounting degree from Australia.

Ms. Liu Yan, aged 35, is the Executive Director of the Company. Ms. Liu has over 6 years of experience in the PRC property industry. She graduated from Guanghua School of Management, Peking University in 2006. Ms. Liu is the sister-in-law of Mr. Li Song Xiao (the chairman and the controlling shareholder of the Company). Prior to the appointment of an Executive Director of the Company, Ms. Liu was a deputy General Manager of the sales department of Beijing Jin Ma Wen Hua Yuan Properties Co Ltd (a subsidiary of the Company).

Independent non-executive directors

Ms. Nie Mei Sheng, aged 64, is the Independent Non-Executive Director of the Company. Ms. Nie is a senior engineer of professor grade and has over 31 years of experience in the civil engineering and construction technology and was the Secretary of Technology Department of Ministry of Construction. Ms. Nie was awarded first class technology enhancement prize from National Teaching Committee and first class technology enhancement prize from National Ministry of Construction. Ms. Nie is currently the director of China Housing Industry Association, standing committee member of China Civil Engineering Society and head of sub-committee of Water Industry Association.

Mr. Wang Shi Yong, aged 36, is the Independent Non-Executive Director of the Company. Mr. Wang is a qualified accountant of Finance Department of The People's Republic of China. Mr. Wang has extensive experience in accounting and financing areas in different industries. Currently, he is the financial controller of Tian Jin TDDM Technology Development Company Limited.

Mr. Zheng Kuan, aged 33, is the Independent Non-Executive Director of the Company. Mr. Zheng has extensive experience in investment banking area. He has worked for China Economic Development Trustee Investment Security Company. Mr. Zheng currently is the deputy general manager of the investment banking division of Hai Tong Securities Limited.

Company Secretary

Ms. Chan Yim Kum, aged 41, is the Company Secretary of the Company. Ms. Chan holds a Bachelor's Degree (Honours) in Business Administration from the United Kingdom and a Master's Degree in Professional Accountancy from Hong Kong. Ms. Chan is a member of The Institute of Chartered Secretaries and Administration of the United Kingdom; The Hong Kong Institute of Company Secretaries; and The Taxation Institute of Hong Kong. Ms. Chan has over 16 years of experience in corporate management and administration.

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).

The term of office of each director is the period up to his or her retirement by rotation in accordance with the Company's Bye-laws.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 April 2006, the interests of the directors and their associates in the shares and underlying shares of the share options of 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 (the "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 position

(1) Issued ordinary shares of HK\$0.01 each of the Company:

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Li Song Xiao	Held by controlled corporation (note)	2,298,986,537	56.36%

Note: These shares are held by Invest Gain Limited, which is beneficially wholly-owned by Mr. Li Song Xiao.

(2) Share options outstanding under the share option scheme of the Company:

Name of director	Capacity	Number of share options held	Number of underlying shares
Mr. Li Song Xiao	Beneficial owner	3,000,000	3,000,000
Mr. Liu Yi	Beneficial owner	16,000,000	16,000,000
Ms. Niu Xiao Rong	Beneficial owner	16,000,000	16,000,000
Mr. Yuan Kun	Beneficial owner	8,000,000	8,000,000
Mr. Zhang Huai An (note)	Beneficial owner	16,000,000	16,000,000
Ms. Song Xuan (note)	Beneficial owner	16,000,000	16,000,000

Note: Mr. Zhang Huai An and Ms. Song Xuan resigned as executive directors of the Company on 15 June 2006, but they remain as employees within the Group. Therefore, according to the share option scheme, they are eligible to entitle as holders of the options.

Save as disclosed above, during the year, none of Directors or chief executives of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which 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 interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered into the register required to be kept under section 352 of the SFO.

SHARE OPTIONS

Pursuant to a resolution passed by shareholders of the Company on 12 December 2002, the Company adopted a share option scheme (the "Share Option Scheme"), the particulars of the Share Option Scheme are set out in note 32 to the financial statements.

For the year ended 30 April 2006, the Company granted 86 million share options to the Company's directors and employees under the Share Option Scheme. The underlying shares of the outstanding share options were 86 million, representing 2.11% of the issued share capital of the Company at 30 April 2006.

The following table discloses movements in the Company's share options during the year:

	Granted during the year and outstanding at 30 April 2006
Directors	
– Mr. Li Song Xiao	3,000,000
– Mr. Liu Yi	16,000,000
– Ms. Niu Xiao Rong	16,000,000
– Mr. Yuan Kun	8,000,000
– Mr. Zhang Huai An (note)	16,000,000
– Ms. Song Xuan (note)	16,000,000
Employees	11,000,000
Total	<u>86,000,000</u>

Note: Mr. Zhang Huai An and Ms. Song Xuan resigned as executive directors of the Company on 15 June 2006, but they remain as employees within the Group. Therefore, according to the share option scheme, they are eligible to entitle as holders of the options.

Details of share options granted are as follows:–

Date of grant/ acceptance	Exercise period	Exercise price per share	Closing price immediate before date of offer	Closing price immediate before date of grant
4 April 2006	4 April 2006 – 3 April 2016	HK\$0.90	HK\$0.88	HK\$1.09

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set out up by the Remuneration Committee on the basis of their merit, qualifications and competence.

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

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 32 to the financial statements.

ARRANGEMENTS FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Other than the share option schemes, 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.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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 at any time during the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE COMPANY

As at 30 April 2006, the register of substantial shareholders 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 issued share capital of the Company:

Ordinary share of HK\$0.01 each of the Company

Name of Substantial Shareholder	Nature of interest	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Invest Gain Limited	Beneficial owner	2,298,986,537	56.36%
Mr. Li Song Xiao	Held by controlled corporation (note a)	2,298,986,537	56.36%
Ms. Liu Hui	Held by spouse (note b)	2,298,986,537	56.36%
Mr. Wang Yan	Beneficial owner (note c)	400,000,000	9.81%
Penta Investment Advisers Ltd.	Beneficial owner	225,380,000	5.52%
Mr. John Zwaanstra	Held by controlled corporation (note d)	225,380,000	5.52%
Mr. Michael Moore	Held by controlled corporation (note d)	225,380,000	5.52%

Notes:

- (a) These shares are held by Invest Gain Limited, which is beneficially wholly owned by Mr. Li Song Xiao.
- (b) Ms. Liu Hui is deemed to be interested in 2,298,986,537 ordinary shares of the Company, being the interests held beneficially by her spouse.
- (c) Mr. Wang Yan is a holder of convertible note of the Company who has the rights to convert the note into 400,000,000 ordinary shares of the Company within the period specified in Note 29 to the financial statements and is deemed to be a shareholder of the Company.
- (d) These shares are held by Penta Investment Advisers Ltd. which is beneficially owned by Mr. John Zwaanstra (50%) and Mr. Michael Moore (50%).

Other than as disclosed above, the Company has not been notified of any other interests or short positions in the issued share capital of the Company as at 30 April 2006.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers comprised approximately 1% of the Group's total revenue for the year and the sales attributable to the Group's largest customer were approximately 0.2% of the Group's total revenue for the year.

The aggregate purchase attributable to the Group's five largest suppliers comprised approximately 23% of the Group's total purchases and the purchases of the year attributable to the Group's largest supplier were approximately 19% of the Group's total purchases for the year.

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

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-rata basis to existing shareholders.

SUFFICIENCY PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Company's directors.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the year ended 30 April 2006.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years to set out on page 97 of the annual report.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date set out in note 44 to the financial statements.

AUDITORS

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

On behalf of the Board

Li Song Xiao

Chairman

19 August 2006