

Directors' Report

The Directors present their annual report together with the audited financial statements for the financial year ended 31 December 2005.

Principal place of business

The Company is a limited company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at Suites 1506-07, 15/F., Nine Queen's Road Central, Hong Kong.

Principal activities

The principal activity of the Company is investment holding and the activities of its subsidiaries and associates are shown in notes 19 and 20 to the financial statements respectively.

Commentary on annual results

A commentary on annual results is included in Management Discussion and Analysis on pages 7 to 8.

Financial statements

The profit of the Group for the financial 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 pages 19 to 61.

Particulars of subsidiaries

Particulars regarding the subsidiaries of the Group are set out in note 19 to the financial statements.

Particulars of associates

Particulars regarding the associates of the Group are set out in note 20 to the financial statements.

Directors' right to acquire shares or debentures

At no time during the financial year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Reserves

The movements in reserves during the financial year are set out in note 31 to the financial statements and consolidated statement of changes in equity on pages 22 to 23.

Dividends

In October 2005, an interim dividend of 1 cent per share (2004: 1 cent per share) was paid, amounting to HK\$2,134,000 (2004: HK\$2,109,000). The Directors now recommend the payment of a final dividend of 1 cent per share (2004: 1 cent per share), amounting to HK\$2,133,000 (2004: HK\$2,133,000).

Donations

During the year, the Group made donations for charitable and community purposes amounting to HK\$39,000 (2004: HK\$40,000).

Summary of financial information

A summary of the turnover, results and the assets and liabilities of the Group for the last five financial years is shown on page 64.

Group borrowings

Details of notes payable are shown in note 28 to the financial statements.

Directors' Report (Cont'd)

Major customers and suppliers

During the year, less than 30% of the Group's turnover and less than 30% of the Group's purchases were attributable to the Group's five largest customers and five largest suppliers respectively.

Property, plant and equipment, investment properties and leasehold land

Details of movements in property, plant and equipment, investment properties and leasehold land during the year are set out in notes 16 to 18 to the financial statements on pages 45 to 47.

Particulars of properties

The investment properties of the Group are as follows:

Location	Gross floor area (sq.ft)	Nature of property	Percentage of interest	Lease expiry
Store in Basement, Lyndhurst Building, 2, 2A, 4, 4A & 6 Gage Street Hong Kong	4,594	Commercial	100	999 years from 22.1.1844

Events after balance sheet date

Details of the significant events after the balance sheet date are shown in note 40 to the financial statements.

Directors

1. The Directors during the financial year were:

Mr. Tan Boon Seng (Managing Director)
Mr. Ang Guan Seng
Mr. Ho Hau Chong, Norman
Mr. Tan Choon Keat, Tony
Mr. Tan Kai Seng
Mr. Yeung Chik Kin
Mr. Fung Ka Pun
Mr. Chan Kai Kwok

Changes since the end of the financial year are:

Mr. Seow Yung Liang, Richard (appointed on 28.2.2006)
Mr. Ashish Jaiprakash Shastry (appointed on 28.2.2006)
Mr. Tan Choon Keat, Tony (resigned on 28.2.2006)
Mr. Tan Kai Seng (resigned on 28.2.2006)

2. In accordance with the Company's Articles of Association, the following Directors are due to retire and, being eligible, offer themselves for re-election.

Mr. Tan Boon Seng
Mr. Ho Hau Chong, Norman
Mr. Seow Yung Liang, Richard
Mr. Ashish Jaiprakash Shastry

Biographical details of Directors and senior management

Brief of biographical details of Directors and senior management are set out on pages 3 to 4.

Directors' Report (Cont'd)

Service contracts of Directors

No Director being proposed for re-election at the forthcoming annual general meeting has a service contract which is not terminable by the Group within one year without the payment of compensation other than statutory compensation.

Directors' interests in contracts

No contract of significance in relation to the Company's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company had, whether directly or indirectly, a material interest subsisted at the end of the financial year or at any time during the financial year.

Directors' interests and short positions in shares, underlying shares and debentures

As at 31 December 2005, the Directors' interests in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO") as recorded in the register required 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 Issuers were as follows:

Directors	Personal interests	No. of ordinary shares		Total	Percentage holding
		Family interests	Corporate interests		
Mr. Tan Boon Seng	900,000	2,991,000(iv)(v)	52,340,000(i)(iii)(vi)	56,231,000	26.36
Mr. Ang Guan Seng	-	-	-	-	-
Mr. Ho Hau Chong, Norman	-	-	-	-	-
Mr. Tan Choon Keat, Tony	-	-	8,304,000(i)(ii)	8,304,000	3.89
Mr. Tan Kai Seng	-	-	-	-	-
Mr. Yeung Chik Kin	225,800	-	-	225,800	0.11
Mr. Fung Ka Pun	-	-	-	-	-
Mr. Chan Kai Kwok	-	-	-	-	-

Notes:

- (i) Wah Seong Enterprises Sdn. Bhd. held 2,100,000 shares. Messrs. Tan Choon Keat, Tony and Tan Boon Seng had beneficial interests in this company.
- (ii) Tan Kim Yeow Sdn. Bhd. and TKY Investments Pte. Ltd. in aggregate held 6,204,000 shares. Mr. Tan Choon Keat, Tony had beneficial interests in these companies.
- (iii) HK 1 Limited held 14,386,000 shares. Mr. Tan Boon Seng had beneficial interest in this company.
- (iv) TYMS Limited held 2,981,000 shares. This company is beneficially owned by Mr. Tan Boon Seng's children and Mr. Tan Boon Seng acts as trustee for his children.
- (v) The wife of Mr. Tan Boon Seng held 10,000 shares.
- (vi) Zali Capital Limited held 35,854,000 shares. Mr. Tan Boon Seng had beneficial interest in this company.

One nominee share in each of Lee Hing Investment Company, Limited and Wang Tak Company Limited which are both subsidiaries of the Company were held by Mr. Tan Boon Seng in trust for the Company or its subsidiaries.

Save as mentioned above, no Directors held an interest in the share capital of the Company's subsidiaries.

Directors' Report (Cont'd)

Directors' interests and short positions in shares, underlying shares and debentures (Cont'd)

As at 31 December 2005, no right was granted to or exercised by any Director of the Company or his spouse or children under 18 years of age to subscribe for equity or debt securities of the Company.

Management contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

Substantial shareholders

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31 December 2005 the Company had been notified of the following interest in the Company's shares:

	<u>No. of ordinary shares</u>	<u>Percentage holding</u>
Tan Boon Seng	56,231,000 (i)	26.36
NWD (Hotels Investments) Limited	54,500,000 (ii)	25.55
Petaling Garden (S) Pte. Limited	29,006,000 (iii)	13.60

Notes:

- (i) The 56,231,000 shares are held as to 900,000 shares by Mr. Tan Boon Seng, as to 10,000 shares by the wife of Mr. Tan Boon Seng, as to 2,100,000 shares by Wah Seong Enterprises Sdn. Bhd., as to 14,386,000 shares by HK 1 Limited; as to 2,981,000 shares by TYMS Limited and as to 35,854,000 shares by Zali Capital Limited. Wah Seong Enterprises Sdn. Bhd. is beneficially owned by Mr. Tan Choon Keat, Tony and Mr. Tan Boon Seng. HK 1 Limited and Zali Capital Limited are beneficially owned by Mr. Tan Boon Seng. TYMS Limited is beneficially owned by the children of Mr. Tan Boon Seng and Mr. Tan Boon Seng acts as trustee for his children.
- (ii) The interest of NWD (Hotels Investments) Limited (64% owned by the New World Development Co. Ltd. and 36% owned by Chow Tai Fook Enterprises Ltd.) was held through its wholly-owned subsidiary, Keep Silver Investments Limited.
- (iii) The interest of Petaling Garden (S) Pte. Limited (54% owned by Hoe Seng Company Pte. Limited) was held through its wholly-owned subsidiaries, Chiefyear Development Limited and Manifold Investments Pte. Limited.

Purchase, sale or redemption of listed securities

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

Directors' Report (Cont'd)

Continuing obligation

Details of advances given to and guarantees given for banking facilities granted to affiliated companies as at 31 December 2005, which in aggregate exceeded the relevant percentage ratio of 8% under Chapter 13 of the Listing Rules are as follows:

<u>Affiliated companies</u>	<u>Approximate percentage of equity held by Group</u>	<u>Balance of advances</u>	<u>Guarantees given</u>	<u>Extent of guaranteed facilities utilised</u>	<u>Aggregate of advances and guarantees given</u>
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cheer Star Development Limited	28	131,031	41,250	20,130	172,281
Ichiban Properties Limited	50	136,486	–	–	136,486
Phil Inc.	20	2,044	–	–	2,044
Double Golden Sdn. Bhd.	50	2,368	–	–	2,368
Start Hold Limited	33	481	–	–	481

The above affiliated companies are associates of the Group. The advances were arose from the ordinary course of business of the Group and were unsecured, non-interest bearing and with no fixed term of repayment.

Pursuant to the continuing disclosure requirements under Chapter 13 of the Listing Rules, the combined balance sheet of the affiliated companies and the attributable interest of the Group in the affiliated companies as at 31 December 2005 are disclosed as follows:

Combined balance sheet of affiliated companies

	<u>Combined balance sheet</u>	<u>Group's attributable interest</u>
	HK\$'000	HK\$'000
Non-current assets	618,469	224,130
Current assets	37,335	13,927
Current liabilities	(21,995)	(5,742)
Non-current liabilities	(811,246)	(282,247)
Net liabilities	<u>(177,437)</u>	<u>(49,932)</u>

Code on corporate governance practices

The Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2005, except for the following deviations from code provisions A.2.1 and A.4.1.

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Code on corporate governance practices (Cont'd)

Code provision A.2.1

Under code provision A.2.1, the roles of the Chairman and Chief Executive Officer (CEO) are required to be separated and not be performed by the same individual. During the year, Mr. Tan Boon Seng acted as an Executive Director, the Chairman and Managing Director (equivalent to CEO in this case). This constitutes a deviation from code provision A.2.1. The reason for such deviation is set out below.

The arrangement under which the roles of an Executive Director, Chairman and Managing Director are performed by the same individual is the extension of the Company's existing corporate governance model. It has been considered beneficial at the present stage as it helps to maintain the continuity of the Company's policies and the stability of the Company's operations, as well as to enhance the management of the Company.

Code provision A.4.1

Under code provision A.4.1, Non-executive Directors should be appointed for a specific term and be subject to re-election. None of the existing Non-executive Directors of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1. The reason for such deviation is set out below.

According to the Articles of Association of the Company, one-third of the Directors (Executive and Non-executive) will retire from the office by rotation at each annual general meeting and their appointments will be reviewed when they are due for re-election. In the opinion of the Directors, this meets the same objectives and is no less exacting than those in the code.

Corporate governance

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Report of the Corporate Governance Practices on pages 15 to 17.

Model code for securities transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2005.

Audit committee

An Audit Committee has been established and the members of the Committee are Mr. Ho Hau Chong, Norman, Mr. Fung Ka Pun and Mr. Yeung Chik Kin. The principal responsibilities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

Sufficiency of public float

According to information that is available to the Company, the percentage of the Company's shares which are in the hands of the public exceeds 25% of the Company's total number of issued shares.

Auditors

The retiring auditors, H. C. Watt & Company Limited, have expressed their willingness to continue in office. A resolution to reappoint them as auditors of the Company will be put to the annual general meeting.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Board.

Tan Boon Seng
Chairman

Hong Kong, 24 April 2006