

Managing Director's Statement

董事總經理報告

REVIEW OF RESULTS

Basically, the principal business activities of the Group remain the same for both years 2005 and 2004. Turnover of the Group decreased by 19.5% from HK\$685.2 million in 2004 to HK\$551.8 million in 2005. In 2005, an insignificant amount of turnover was recorded in respect of sales of development properties comparing to a turnover of HK\$152.2 million in 2004. The decrease in turnover of sales of development properties was the major reason leading to the decrease in the Group's turnover.

In 2005, turnover of dealings in distressed assets decreased by HK\$15.7 million and turnover of investment increased by HK\$25.4 million. The magnitudes of the former approximated to that of the later and thus did not have a material net effect to the movement of the Group's turnover.

Other income recorded an increase of HK\$78.3 million. The reasons for the increase were firstly attributable to the increase in interest income in the amount of HK\$41.4 million. The Group accumulated a cash balance in excess of HK\$1.0 billion in the fourth quarter of 2004. Throughout the year 2005, the Group maintained a relatively high amount of average cash balances, which enabled the Group to earn extra interest income during a period of rising deposit interest rates. Secondly, there was an unrealized holding gain in the amount of HK\$44.9 million in respect of investment in held-for-trading investments recorded only in the year.

Increase in administrative expenses of HK\$7.2 million was mainly due to the increase in staffing cost of HK\$10.9 million and payment of additional direct costs such as professional fees, legal fees and consultancy fees spent on searching and evaluating potential distressed assets deals during the year.

Due to the adoption of new accounting policy, valuation gains or losses in respect of revaluation of investment properties were reflected directly in the profit and loss account effective from 1 January 2005. The valuation gain of investment properties thus recognized was HK\$148.7 million.

Due to the adoption of new accounting policy, the convertible notes issued to Citigroup Global Markets Limited ("CGML") in last year was reclassified and treated as financial liabilities at fair value through profit or loss in 2005. In this regard, a fair value gain of HK\$199.8 million was recognized as income in 2005.

業績回顧

基本上本集團二零零五年及二零零四年兩年之經營活動維持一致。本集團營業額從二零零四年之685,200,000港元減少19.5%至二零零五年之551,800,000港元。相對二零零四年度錄得的152,200,000港元之營業額，物業銷售方面於二零零五年僅錄得微薄的銷售額。物業銷售之營業額減少是導致本集團整體營業額減少的主要原因。

於二零零五年，處置不良資產之營業額減少15,700,000港元，而投資方面之營業額則增加25,400,000港元。前者及後者之數額相約，因此並無對本集團的營業額之變動帶來重大的淨額影響。

其他收入錄得78,300,000港元增長。增加的原因，其一是由於利息收入增加41,400,000港元所致。本集團於二零零四年第四季度累積有超過十億港元現金結餘；而在二零零五年整年內，本集團亦維持持有金額相對地高的現金結餘水平，因而本集團能夠在存款利率處於上升期間時能夠賺取額外的利息收入。其二是，年內持有作買賣之投資有金額達44,900,000港元的未變現持有收益。

行政費用增加7,200,000港元，主要原因是員工費用增加10,900,000港元及年內因為積極尋找及考察潛在的不良資產項目所支付的額外直接費用如專業收費、律師費以及顧問費等所致。

因採納新會計政策，從二零零五年一月一日起，評估投資物業產生之估值收益或虧損需直接於損益表反映。就投資物業因此緣故而確認為估值收益的金額為148,700,000港元。

因採納新會計政策，上年度發行給Citigroup Global Markets Limited「CGML」之可換股票據於二零零五年重新分類並界定為於損表按公平值處理之財務負債。因此緣故，一項金額為199,800,000港元之公平值增值收益已於二零零五年確認為收入。

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Increase in finance costs amounted to HK\$27.6 million. The increase in finance costs were due to the issuance of convertible notes with principal amount of HK\$817.1 million in aggregate by the Group in November 2004. The convertible notes have interest charges for less than two months in 2004 but a whole year for 2005. Despite of the coupon interest rates of the convertible notes were 1.5% p.a., interest for one of the convertible notes was charged at 4.48% p.a. in accordance with the requirements of the new accounting policy.

In 2005, the Group increased its investment in Beijing East Gate Development Co., Ltd. ("East Gate") by acquiring an additional 7.99% equity interest of East Gate from a minority shareholder. The acquisition resulted in a discount on acquisition (previously known as negative goodwill) in the amount of HK\$73.5 million and was recognized as income for the current year. There was no such income in last year.

In 2004, the Group disposed of a 20% participating rights in a portfolio of distressed assets and realized a gain of HK\$53.8 million. The Group also disposed of a subsidiary and an associated company in 2004 and realized gains in the amount of HK46.7 million and HK\$0.2 million respectively. There were no such gains on disposal in 2005.

As a whole, the above-mentioned factors have a net effect leading to a 79.4% increase in net profit for the year to a historically high amount of HK\$724.1 million in 2005.

FINAL DIVIDEND

The Board of Directors of the Company ("Directors") resolved to recommend the payment of a final dividend of HK\$0.06 per share for the year ended 31 December 2005 (2004: HK\$0.05 per share). The final dividend will be payable on 6 June 2006 to shareholders on the register of member of the Company on 25 May 2006.

BUSINESS REVIEW & PROSPECTS

Property Investments, Development and Management

For the year ended 31 December 2005, profit contribution from property leasing amounted to HK\$63.5 million (2004: HK\$59.3 million). The Group's major source of rental income is derived from East Gate Plaza. The gross rental income of East Gate Plaza for 2005 was HK\$68.3 million (2004: HK\$66.7 million). The rental income of East Gate Plaza started to recover gradually following the completion of the phase-by-phase renovation works to refurbish the flats in East Gate Plaza.

財務費用增加的金額為27,600,000港元。財務費用增加是由於本集團在二零零四年十一月發行本金總額達817,100,000港元可換股票據。該等可換股票據於二零零四年只有少於兩個月的利息負擔，但於二零零五年則為一整年。雖然該等可換股票據的票面利息為年利率1.5%，然而其中一項可換股票據之利息，為符合新會計政策的規定，則按年利率4.48%計算。

於二零零五年，本集團透過向北京東環置業有限公司（「東環置業」）的一名少數股東收購額外的7.99%股本權益，增加其於東環置業之投資。是項收購產生73,500,000港元收購折讓（以前稱為負商譽），並且於本年內確認為收入。上年度並無該等收入。

於二零零四年，本集團出售一項不良資產組合的20%分紅權利，並實現53,800,000港元收益。本集團同時亦於二零零四年出售一家附屬公司及一家聯營公司並分別實現金額為46,700,000港元及200,000港元之收益。於二零零五年並無該等出售項目之收益。

總的而言，上文所述各項原因之淨影響為二零零五年之年度盈利淨額帶來了79.4%增長至創出歷史新高金額724,100,000港元。

末期股息

本公司董事會（「董事會」）議決建議派付截至二零零五年十二月三十一日止年度之末期股息為每股6港仙（二零零四年：每股5港仙）。末期股息於二零零六年六月六日支付於二零零六年五月二十五日在本公司股東登記名冊之股東。

業務回顧及展望

物業投資、發展及管理

於截至二零零五年十二月三十一日止年度，物業租賃之溢利貢獻為63,500,000港元（二零零四年：59,300,000港元）。本集團之主要租金收入來源自東環廣場。東環廣場二零零五年的租金收入毛額為68,300,000港元（二零零四年：66,700,000港元）。在完成對東環廣場單位施行之階段性的更新改造工程後，東環廣場的租金收入已漸漸開始恢復。

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During the year, the Group has increased its investment in East Gate by acquiring an additional equity interest of 7.99% from a minority shareholder of East Gate at a total consideration of HK\$13.4 million. The acquisition resulted in a negative goodwill of HK\$73.5 million and was recognized as income during the year. In the third quarter of 2005, agreements were entered between the Group and the remaining minority shareholders of East Gate to acquire the remaining equity interests in East Gate. The total consideration payable by the Group was HK\$25.3 million. When the acquisition was completed, East Gate will become a wholly owned subsidiary of the Group. In addition, a negative goodwill in the amount of approximately HK\$25.1 million (estimated amount and before expenses) will be recognized as income in 2006.

During the year, sales of development properties were insignificant which had resulted in an operating loss of approximately HK\$6.0 million in 2005. The Group has commenced selling of the second phase of the development project in the Tiexi District of Shenyang known as the East Gate Metro Garden. Contracted sales in the amount of approximately HK\$169.2 million in aggregate have been secured. The Directors expect that total sales amount for East Gate Metro Garden will be approximately HK\$423.1 million. The Group intends to complete the selling of the units of East Gate Metro Garden in 2006. At the same time, the Group has started planning the third phase, which is also the last phase of the Tiexi District development project.

The operations of Beijing Yinda Property Management Limited ("Yinda") were stable for both the year under review and the last year. As at 31 December 2005, there were 23 projects (2004: 24 projects) under the management of Yinda. The total floor area under the management of Yinda exceeds 3.0 million square meters.

The turnover of Yinda for the year was HK\$89.0 (2004: HK\$82.1 million). Yinda maintains its growth strategy to achieve economy of scale through expansion.

In 2005, the Group made investment in a new development project located at the Tong Zhou District of Beijing. The development project is known as "Zi You Xiao Zhen". The development project has a site area of approximately 320,000 square meters and gross floor area of approximately 830,000 square meters. The Group intends to develop the Zi You Xiao Zhen project by four phases in four years' time. The project is now in the process of demolishing and re-dwelling the existing tenants.

The Group is also considering making investment in new development projects in Beijing including "Si He Yuan" properties.

年內，本集團透過向北京東環置業的一名少數股東收購額外7.99%股本權益，增加其於東環置業之投資，總代價為13,400,000港元。是項收購結果產生一項負商譽，金額73,500,000港元並已於年內確認為收入。於二零零五年第三季度，本集團與東環置業的其餘少數股東達成協議收購東環置業餘下之股本權益。本集團就交易應付的總代價為25,300,000港元。待收購完成後，東環置業將會成為本集團全資擁有的附屬公司。此外，一項金額約為25,100,000港元(估計金額並且為除費用前)的負商譽將會於二零零六年確認為收入。

年內，因發展物業的銷售金額僅為有限，因此此項業務於二零零五年錄得經營虧損約6,000,000港元。本集團已開始銷售位於瀋陽市鐵西區之第二期發展項目，項目名為東環時代花園。已落實合同銷售金額總額約為169,200,000港元。董事會預期東環時代花園的全部銷售金額約可達423,100,000港元。本集團計劃於二零零六年內完成銷售東環時代花園的全部單位。與此同時，本集團已經展開第三期亦即是鐵西區發展項目最後一期的策劃工作。

北京銀達物業管理有限則任公司(「銀達」)於回顧年內及上年度之經營維持穩定。於二零零五年十二月三十一日，經由銀達管理的物業組合共23項(二零零四年：24項)，銀達所管理的總樓面面積逾3,000,000平方米。

銀達於年內的營業額為89,000,000港元(二零零四年：82,100,000港元)。銀達維持通過擴張達致經濟規模效益的成長策略。

於二零零五年，本集團投資一項新的發展項目，地點位於北京市通州區。是項發展項目已定名為「自由小鎮」。該發展項目之地盤面積約為320,000平方米，建築面積約為830,000平方米。本集團計劃在四年期間內分四期發展自由小鎮項目。該項目目前正展開拆遷及安置現有居民的工程。

本集團現時正考慮於北京市投資興建包括「四合院」在內的物業開發項目。

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Infrastructure Investments

For the year ended 31 December 2005, profit contribution from CII was HK\$80.6 million (2004: HK\$87.8 million). The relative stable profit contribution from CII to the Group is maintained through disposals of the road and bridge projects, which are capable of generating one-off gains. CII disposed of its entire interest in the Wuhan Baishazhou Bridge at a total consideration of approximately HK\$460.3 million and realized extra fund for working capital. However, a loss of approximately HK\$12.9 million in respect of the disposal was recognized in 2005 and that was the main reason for the decrease in the contribution from CII.

Strategically CII will dispose of all the road and bridge projects when opportunities arise. As at 31 December 2005, CII was still holding four road and bridge projects with a total carrying value of approximately HK\$407.7 million in aggregate. For the time being, CII is considering to increase its investment in energy supply, value-added processing in petrol refining and other financial investments.

The Taian Natural Gas Pipeline project

CII invested in the Taian Natural Gas Pipeline project in late 2002. It is a co-operative joint venture project with an investment term of 25 years. The effective interest of CII in Taian Natural Gas Pipeline project is 80% and the cost of investment is approximately HK\$91.9 million. The project commenced its first year of operations in 2005 and started to generate profit. For the year ended 31 December 2005, profit after taxation of the project attributable to CII was approximately HK\$9.8 million (2004: nil). It is a National policy to encourage the use of natural gas, which is a relatively clean source of fuel comparing to other means of energy supply, for fuel to reduce air pollution. In addition, the fast development of the Taian City has provided a stable yet favorable investment environment for the project.

The UE Petrochemical project

CII has a 25% effective interest in United East Petrochemical Company Ltd. ("UE Petrochemical"). CII's investment cost in UE Petrochemical is approximately HK\$53.6 million. The principal business of UE Petrochemical are storage of crude oil and oil products, a special purpose terminal for the loading and unloading of crude oil and oil products and crude oil refinery. For the year ended 31 December 2005, profit contribution to CII from UE Petrochemical was limited and amounted to HK\$3.6 million (2004: nil). UE Petrochemical has successfully completed its test-production for oil-refinery during the year but did not engage in large-scale production in light of the recent high crude oil prices, which has significant effect on reducing profit margin. However, CII is currently negotiating with the local partners for long term and secured supplies of crude oil for the oil refinery business. CII has confidence to solve the problem of crude oil supplies. CII believes that the investment in UE Petrochemical will bring good returns to CII.

基礎建設投資

截至二零零五年十二月三十一日止年度，中基之溢利貢獻為80,600,000港元（二零零四年：87,800,000港元）。中基能為本集團提供相對穩定的溢利貢獻，是通過出售道路及橋樑項目所產生的一次性收益達至。中基以約460,300,000港元總代價出售其於武漢白沙洲大橋之全部權益並回籠額外營運資金。然而該項出售產生虧損約12,900,000港元並於二零零五年確認。此為中基營利貢獻減少的主要原因。

策略上，中基將會在遇到合適機會時出售全部道路及橋樑項目。於二零零五年十二月三十一日，中基仍然持有四個道路及橋樑項目，項目之總帳面值約為407,700,000港元。目前，中基正考慮增加投資於能源供應、煉油加工及其他財務投資。

泰安天然氣管道項目

中基於二零零二年末投資泰安天然氣管道項目；項目為一25年期的合作合營項目。中基佔泰安天然氣管道項目80%權益，投資成本約為91,900,000港元。該項目於二零零五年開始首年經營並開始產生營利。於截止二零零五年十二月三十一日止年度，中基應佔該項目的除稅後盈利約為9,800,000港元（二零零四年：無）。國家政策鼓勵使用比對其他方式的能源供應較為清潔的天然氣作為燃料以減少空氣污染。此外，泰安市的快速發展亦為該項目提供了一個穩定且有利的投資環境。

東聯化工項目

中基擁有東聯化工有限責任公司（「東聯化工」）25%權益。中基於東聯化工的投資成本約為53,600,000港元。東聯化工的主要經營業務為原油及油產品儲存、原油及油產品裝卸專用碼頭及原油提煉。於截止二零零五年十二月三十一日止年度，東聯化工僅為中基提供有限的溢利貢獻，金額為3,600,000港元（二零零四年：無）。東聯化工已於年內成功完成煉油生產測試，但鑑於近期原油價格高企並將嚴重影響及收窄邊際溢利，故沒有展開大規模的煉油作業。然而，中基目前正與中方合作夥伴就煉油業務磋商落實穩定且長期的原油供應。中基有信心能解決原油供應問題。中基相信投資東聯化工將可為中基帶來良好的回報。

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Financial Investment

Distressed Assets Business

The Macau Assets

Basically, the disposal of the Macau Assets has substantially been completed during the year. The Group received a further performance return in the amount of HK\$100.0 million from the disposal of the Macau Assets. There is only a small amount of Macau Assets remained and are pending for further disposal. The Directors expect that there will only be nominal income generated from the disposal of the remaining Macau Assets.

The Cinda Portfolio

For the current year, the Cinda Portfolio has contributed HK\$130.9 million interest income to the Group. Up to 31 December 2005, the principal amount of distressed assets in the Cinda Portfolio that has been disposed of was approximately HK\$18.6 billion in aggregate, representing approximately 34.4% of total principal amount of the Cinda Portfolio. The amount of cash recovered was approximately HK\$664.8 million in aggregate. The effective cash recovery rate was approximately 3.6%. The Group has set a target to complete the disposal of the Cinda Portfolio in the second quarter of 2007. To speed up the disposal of the Cinda Portfolio, the Directors of the Company and China Cinda have decided to break the Cinda Portfolio into smaller packages of distressed assets and to dispose of these packages of distressed assets by auctions or other possible means. However, if opportunity arises, the Directors and China Cinda will keep disposing of the Cinda Portfolio on an individual basis, which will have a higher cash recovery rate.

Strategic Partner

By the end of 2005, Citigroup Financial Products Inc. ("CFPI") and the Company strengthened their corporation in the aspects of investing in distressed assets through setting up a joint venture known as Platinum One Limited ("Platinum One"). CFPI and the Company owned Platinum One equally. Both CFPI and the Company have intention to utilize Platinum One as the investment vehicle for all the distressed assets deals identified in the future.

金融投資

不良資產業務

澳門資產

澳門資產之處置工作基本上已於年內完成。本集團從處置澳門資產額外收取100,000,000港元超收分成。現時只剩餘少量澳門資產仍待處置。董事預期處置餘下之澳門資產僅能產生有限收益。

信達資產包

於本年內，信達資產包為本集團貢獻130,900,000港元收益。截至二零零五年十二月三十一日，已處置之信達資產包不良資產本金金額累計總額約18,600,000,000港元，約相當於信達資產包本金總額之34.4%。累計處置回收現金約為664,800,000港元。折算所得之現金回收率約為3.6%；本集團已訂立目標在二零零七年二季度完成處置信達資產包。為加速處置信達資產包，董事會及中國信達已決定把信達資產包分割成為數額較少的債權資產小包並通過拍賣方式或其他可行方法處置該等小包。然而，若遇到合適機會，董事會及中國信達將會維持以單一債權方式處置信達資產包以求取的較高的現金回收率。

策略夥伴

於二零零五年年底，Citigroup Financial Products Inc. [CFPI] 與本公司透過成立合營公司Platinum One Limited (Platinum One) 加強雙方於不良資產投資領域的合作。CFPI與本公司共同擁有Platinum One。CFPI與本公司有意利用Platinum One作為投資於未來落實的不良資產項目的投資主體。

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The Huarong Portfolio

On 22 November 2005, Platinum One entered into conditional agreements with China Huarong Asset Management Corporation ("China Huarong") to acquire from Huarong a portfolio of distressed assets in the principal amount of RMB36.4 billion (equivalent to HK\$35.0 billion) including booked interests (the "Huarong Portfolio"). The Huarong Portfolio was acquired at a total consideration of RMB546.6 million (equivalent to approximately HK\$525.6 million). The consideration represented 1.5% of the principal amount, including booked interests, of the Huarong Portfolio. At the same time, China Huarong was also appointed to assist Platinum One in servicing the collection of the Huarong Portfolio. Huarong in return is entitled to receive a management fee calculated as 10% of the cash recovered. Huarong is also entitled to share the profits generated from the disposal of the Huarong Portfolio according to a defined profit sharing scheme.

The Huarong Portfolio comprises a total of 11,126 borrowers located in a total of 27 provinces, directly administrated municipalities and autonomies in the PRC. The Group has set a target to complete the disposal of the Huarong Portfolio in two years' time.

Apart from the Huarong Portfolio, CFPI, the Company and Platinum One are actively searching for and are currently considering making investments in one or several distressed assets. Platinum One expects to conclude at least one of them in the near future.

Other Investments

The Group will utilize an appropriate portion of the temporarily idled funds to invest, on a medium term basis, in listed securities. The Directors will make judgment and will invest very selectively in listed securities with good capital appreciation potentials.

In 2005, the Group has conditionally agreed to invest in a 12% equity interest in a Chinese medicine manufacturer known as Tong Ji Tang at a total consideration of RMB100.0 million (equivalent to approximately HK\$96,100 million). The Group has paid a deposit of RMB43.0 million (equivalent to approximately HK\$41.3 million) during the year. The balance will be paid upon the fulfillment of certain condition precedents. The principal business of Tong Ji Tang is the manufacturing of a drug to cure osteoporosis. Tong Ji Tang has planned to seek listing on the Nasdaq and has commenced the pre-listing formalities. Tong Ji Tang expects to get listed in the third or fourth quarter of 2006. The Directors believe that investment in Tong Ji Tang will make good profit to the Group.

華融資產包

於二零零五年十一月二十二日，Platinum One與中國華融資產管理公司（「中國華融」）達成有條件協議，向中國華融收購一項本金額為364億人民幣（相等於350億港元）包括表內利息之不良資產組合（「華融資產包」）。華融資產包之收購總代價為546,600,000人民幣（相等於約525,600,000港元）。代價等於華融資產包本金額（包括表內利息）的1.5%。與此同時，中國華融亦受委託協助Platinum One處置回收華融資產包。中國華融有權收取按收回現金的10%計算之管理費作為報酬。中國華融同時亦有權根據一項事先協定的利潤分成機制，分享處置華融資產包產生的利潤。

華融資產包由分散於全國各地、共27個省、直轄市及自治區、總數11,126個債務人所組成。本集團已定立目標，於兩年之內完成處置華融資產包。

除了華融資產包外，CFPI、本公司及Platinum One正積極尋找並且目前正考慮投資於一個或多個不良資產。Platinum One期望於短期內最少落實一個投資決定。

其他投資

本集團將適當地利用部份臨時閒置之資金透過以中期持有方式投資於上市證券。董事會將作出判斷並會非常選擇性地投資於具有資本增值潛力的上市證券。

於二零零五年本集團有條件地同意以總代價人民幣100,000,000元（相等於96,100,000港元）投資持有一間以同濟堂名義從事中藥生產的企業的12%股份權益。本集團已於年內支付定金人民幣43,000,000元（相等於41,300,000港元）；餘款將於若干先決條件獲達成後支付。同濟堂的主要業務為生產一種專門醫治骨質疏鬆的藥物。同濟堂已計劃於美國納斯達克交易所尋求上市，並已展開了上市前的相關工作。同濟堂預期將可於二零零六年第三或第四季度取得上市地位。董事相信投資於同濟堂將可為本集團帶來良好回報。

Managing Director's Statement

董事總經理報告

GROWTH STRATEGIES

The Group will continue to invest in the core business of properties, infrastructure investments and financial investments at a balanced pace. The business emphasis will be adjusted according to the prevailing economic environment and market growth trend. Regarding to financial investments, the current target is still to participate mainly in the distressed assets business. In light of favorable conditions brought about by the vigorously growing PRC economy, the Group will keep increasing its investment in distressed assets business, which is expected to bring significant returns to the shareholders. Since the eleventh Five-Years Plan of China is principally to encourage internal demand and expenditure, increased demand and expenditure will inevitably lead to price rises in properties. Therefore, the Group will also increase its investment in the business of property development with an emphasis on developing middle class and medium scale projects and/or "Si He Yuan" projects in principal.

FINANCIAL REVIEW

Exchange Exposure & Hedging

As at 31 December 2005, the Group had a USD denominated convertible notes in the principal amount of USD52.5 million (equivalent to HK\$409.5 million).

Except for the above, the Group's principal assets, liabilities, revenue and payments are denominated in HKD and RMB. Recently the RMB exchange rate is appreciating gradually. The Directors believe that the RMB exchange rate will continue to appreciate gradually in the medium term but there is unlikely to have a sudden surge in the RMB exchange rate. In addition, HKD is pledged to the USD and such currency peg is unlikely to break in the foreseeable future. In this regard, the Directors believe that exposure to exchange rate fluctuations will not have material adverse effect on the Group.

The Group's policy is not to engage in any speculative activity other than making appropriate arrangements for hedging purposes where the business requires. There was no hedging transaction contracted for by the Group during the year.

發展策略

集團將以均衡發展步伐繼續投資於房地產、基礎建設及金融投資三大主營業務。業務比重將會並按照當前的經濟環境及市場成長趨勢，適當地加以調整。有關金融投資方面，目前的目標仍然是以不良資產處置業務為主，在中國經濟正蓬勃發展的有利條件下，本集團將繼續增加投資於不良資產處置業務，並預期有關投資可為股東帶來巨大回報。鑑於國家的第十一個五年計劃是以鼓勵內部需求及消費為主，內部需求及消費的增加必定能帶動房地產價格上升，所以本集團亦會增加投資於房地產開發業務；重點以開發中檔次和中型項目及／或四合院項目為主。

財務回顧

匯兌風險及對沖

於二零零五年十二月三十一日，本集團有以美元為計價單位的可換股票據金額52,500,000美元（相當於409,500,000港元）。

除上文所述外，本集團的主要資產、負債、收入及支出都是以港元及人民幣為主。即使人民幣匯率近期曾作出輕微升值，董事會相信人民幣匯率於可預見的未來只會再升值若干百分點。此外，港元是與美元掛鈎而此項貨幣掛鈎政策於可預見的未來都不會解除。因此董事局相信因匯率變動所引致的匯兌風險將不會對本集團產生重大負面影響。

本集團的政策一向不鼓勵進行任何投機活動，唯因應業務需要而作出適當的對沖安排除外。本集團於年內並無簽訂任何合同形式的對沖交易。

Managing Director's Statement

董事總經理報告

Working Capital & Borrowings

The Group's total borrowings excluding convertible notes as at 31 December 2005 amounted to approximately HK\$658.7 million of which approximately HK\$651.8 million was short-term bank loan and bank overdraft and the remaining was long-term mortgage loan. Over 80% of the short-term bank loan was represented by the working capital loan to East Gate and the remaining was the current portion of a long-term mortgage loan and bank overdraft. Interest rate for the short-term bank loan was charged at floating rate and the prevailing applicable interest rate was between 4.13% and 5.58 % per annum. The interest rate for the long-term mortgage loan was charged at floating rate and the prevailing applicable interest rate was 5.375% per annum. The Group also has convertible notes with a total outstanding amount of approximately HK\$866.1 million. Approximately 50% of the convertible notes were due within one year and the remaining were due after one year. The convertible notes have a coupon rate of 1.5% per annum but interest for one of the convertible note was charged to income at notional market rate of 4.48% per annum effective from 1 January 2005 in accordance with the new accounting policy.

The Company is negotiating with a local bank for a long-term loan facility in the amount of HK\$600.0 million to HK\$800.0 million for the purpose of replacing the existing RMB denominated working capital loan of East Gate. If concluded, the Group will have a better working capital structure on one hand and can also minimize a possible exchange loss caused by the appreciation of RMB on the other hand.

As at 31 December 2005, the cash and bank balances (net of bank overdraft) was HK\$531.9 million and the net current assets amounted to HK\$238.3 million. In December 2005, the Group paid approximately HK\$527.4 million to acquire the Huarong Portfolio. In January 2006, the disposal of 50% equity interest in Platinum One, which holds the Huarong Portfolio, to CFPI was completed. The Group received approximately HK\$263.7 million payment from CFPI. The Group also made short-term investments in listed securities for the purpose of earning extra returns in the second half year of 2005. Most of those listed securities were subsequently realized in the first quarter of 2006 and recorded very good returns.

Up to the date of this report, the Group has cash balances amounted to approximately HK\$1.0 billion. In addition, the Group has unutilized banking facilities amounted to HK\$234.0 million. In this regard, the Directors are confident that working capital of the Group is adequate for daily operations and the Group has a healthy financial position.

營運資金及借貸

本集團於二零零五年十二月三十一日除可換股票據外之借貸總額約為658,700,000港元，其中約有651,800,000港元為短期之銀行貸款及銀行透支，餘數為長期之按揭貸款。短期銀行貸款中逾80%為本集團附屬公司一東環置業之流動資金貸款，其餘為一項長期之按揭貸款一年內到期部分及銀行透支。短期銀行貸款利息以浮動利率計算，當前適用之年利率介乎4.13%至5.58%之間。長期按揭貸款之利息以浮動利率計算，當前適用之年利率為5.375%。本集團同時亦有未償還總額約866,100,000港元之可換股票據。大約50%的可換股票據將於一年內到期，其餘則於一年後到期。可換股票據之票面利息為年利率1.5%，然而，為符合新的會計政策，其中一項可換股票據的相關的利息支出則從二零零五年一月一日起以推算的市場利率4.48%計算。

為了取代東環置業現時以人民幣為單位的流動資金貸款，本集團現正與一家本地銀行磋商落實一筆金額介乎600,000,000港元至800,000,000港元之長期貸款額度。如能落實，本集團一方面將可擁有更好的流動資金結構；而另一方面亦可減低因為人民幣升值可能產生的匯兌損失。

於二零零五年十二月三十一日之現金及銀行存款結餘（扣除銀行透支後）為531,900,000港元，而淨流動資產金額為238,300,000港元。於二零零五年十二月，本集團支付約527,400,000港元收購華融資產包。出售Platinum One（其持有華融資產包）50%股權予CFPI的交易於二零零六年一月完成。本集團從CFPI收回約263,700,000港元款項。本集團於二零零五年下半年購入上市證券作為短期投資以賺取額外回報。大部分該等上市證券已於二零零六年第一季度出售並錄得了非常理想的回報。

截至本報告日，本集團有約10億港元之現金結餘。此外，本集團亦有尚未動用之銀行授信額度234,000,000港元。因此，董事會有信心本集團之流動資金足夠應付日常營運所需，並且本集團擁有良好的財務狀況。

Managing Director's Statement

董事總經理報告

Capital Structure

No new share was issued during the year. During the year, the Company repurchased a total number of 69,962,000 shares at a total consideration of HK\$165.3 million in cash. The shares were repurchased on the Stock Exchange. Details of the repurchases are set out in note 39 to the financial statements.

As at 31 December 2005, the shareholders' fund of the Group was approximately HK\$3,843.0 million, representing an increase of HK\$359.3 million or 10.3% increment compared to that as at 31 December 2004. During the year, HK\$87.9 million was paid to shareholders of the Company as final dividend for the year ended 31 December 2004.

Human Resources

As at 31 December 2005, the Group employed approximately 1,430 employees in Hong Kong and in the PRC. Total staff costs for the year was approximately HK\$64.4 million (2004: HK\$53.5 million). The Group offers its staff competitive remuneration packages, which are consistent with the prevailing market practices. The Group remuneration policies are described in details in the Corporate Governance Report under the section headed Remuneration Committee.

Appreciation

On behalf of the Board, I would like to express my appreciation and gratitude to our shareholders for their supports and all the Group's employees for their hard working and dedication in carrying out their duties and in achieving the Group's business goal.

By order of the Board
Gao Jian Min
Managing Director

Hong Kong, 24 April 2006

股本結構

年內並無發行任何新股份。年內本公司以現金代價165,300,000港元回購總數69,962,000股股份。有關股份乃於聯交所購回。有關購回股份之詳情載於財務報表附註39。

於二零零五年十二月三十一日，本集團之股東資金約為3,843,000,000港元；較二零零四年十二月三十一日之數額增加359,300,000港元，增幅10.3%。年內，已向本公司股東派付截至二零零四年十二月三十一日之年度之末期股息87,900,000港元。

人力資源

於二零零五年十二月三十一日，本集團於香港及中國僱用約1,430名僱員。年內之總員工支出約為64,400,000港元（二零零四：53,500,000港元）。本集團為其僱員提供一套符合市場慣例且具競爭性的薪酬制度。本集團之薪酬政策於企業管治報告內之薪酬委員會部分詳加說明。

致謝

本集團有賴各股東的鼎力支持和全體員工努力不懈的竭誠服務以達至本集團的目標，本人謹代表董事會向彼等致以深切謝意。

承董事會命
董事總經理
高建民

香港，二零零六年四月二十四日