BUSINESS REVIEW

During the year of 2005, the Group focused principally in its core rental and international steel trading businesses. During the year, the Group maintained a steady growth and recorded net profit of approximately HK$148 million, an increase of 30% as compared with 2004.

PROPERTY INVESTMENT

Shanghai

We are proud of the performance of the Group's Shanghai segment. The Group's Shanghai service apartment chain, operating under the name "Windsor Renaissance", has already built up a market niche in Shanghai and continuously contributed a strong return of investment with consistently high occupancy rate of over 90%. The expatriate community in Shanghai has regarded "Windsor Renaissance" a symbol of high quality service apartments and our tenant base covers hundreds of multinational corporations from all over the world. At present, a portfolio of around 400 service apartments and villas are under our management.

Hong Kong

The Group maintained an occupancy rate close to 85% for its investment properties in Hong Kong and received stable gross rental revenue of approximately HK$31 million (2004: HK$29 million) from such properties in Hong Kong for the year ended 31 December 2005.

To strengthen our solid base of recurrent earning growth, the Group acquired four properties amounted to approximately HK$68 million in the second half of 2005.

STEEL TRADING

2005 was still a year with intense competition in the international steel trading as a result of the control measures introduced by the central government. Steel prices fluctuated significantly and customers were not willing to acquire bulk volume and accumulate stock of steel products at comparatively high price. Against this background, with an established worldwide network of supplier and customer base and successful business methodology adopted, the Group has again uphold its market position. For the year of 2005, our steel trading division recorded a trading volume of steel products of approximately 322,000 mt with a turnover of HK$1,143 million, representing a significant increase of 117% over the previous year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flow and banking facilities provided by its principal bankers in Hong Kong and Shanghai. As at 31 December 2005, the Group had outstanding bank loans and other interest-bearing borrowings amounting to approximately HK$794 million, which were secured by legal charges on certain investment properties in Hong Kong and Shanghai. As at 31 December 2005, among the total outstanding borrowings, HK$66 million are repayable within one year, HK$65 million are repayable in the second year with the remaining balance repayable beyond the second year. The Group's cash and bank balances and short term bank deposits as at 31 December 2005 amounted to approximately HK$218 million. The Group's gearing ratio as at 31 December 2005 was approximately 29% based on the total borrowings of approximately HK$794 million and the aggregate of the shareholders' funds, minority interests and total borrowings of approximately HK$2,726 million.

PERSONNEL

As at 31 December 2005, the Group had a total of 480 employees, of whom 450 were based in the PRC and 30 in Hong Kong. The remuneration packages of the Group's employees are mainly based on their performance and experience, taking into account current industry practices.

In addition to the provision of provident fund scheme, medical allowance, in-house and external training programs, discretionary bonus and share option scheme are also available to employees based on their performance. The remuneration policy and packages of the Group's employees are reviewed regularly.

PROSPECTS

Despite the growing pressure from high oil prices and rising interest rates, Hong Kong's real GDP growth of 7.3% was recorded in 2005 as solid export growth and domestic demand continued to support a steady recovery. Housing demand remains strong and rental rates continue to grow since buyers' and tenants' confidence is bolstered by strengthening economic prospect and rising income of buyers. To strengthen our solid base of earning growth, the Group will continue to enhance its investment portfolio through its progressive yet steady growth strategy, focused on seeking for appropriate land bank and good investment opportunities.

During the year of 2005, the State and the local government of Shanghai City intensified their macro-economic controls on property industry and property market. The control measures implemented by the government were aimed to suppress speculative demands by controlling demand and supply. We believed that it is good to see that property industry and property market in Shanghai have paved a healthy, orderly, stable development trend ultimately. Besides, the year of 2006 is the first year of the Eleventh-Five Year Social and National Economic Plan of the PRC. According to the major economic benchmarks under the "Eleventh-Five Year Plan" of Shanghai, it was aimed to maintain the economic growth rate at 9% or above and carry out urban re-development for old zones that classified as Class II or below at a target of 4 million square meters.

In view of the prosperous economic development trend of the Mainland China and Shanghai, the Group is of the view that the property industry in Shanghai will continue to grow steadily after necessary adjustments. Indeed, we feel very optimistic about our service apartment chain operation in Shanghai, as we have already established a firm footing and a strategic presence in Shanghai to deliver solid performance in this sector of business. The Group will under the principle of prudence carefully while actively identify development projects that have potential for development, and put much effort on identifying new development projects opportunities and high quality land banks for future growth in Shanghai. We strongly believe that the Group is heading the right direction and is extremely well placed to capitalize on this exciting opportunity.

Regarding our international steel trading business, the Group will continue to deliver solid performance into the future after further development of its supplier and customer base in previous years. We forecasted that the coming year would still be a hard time for international steel market and accordingly, continuous effort has also been devoted to develop outsourcing and expanding business opportunities.

It is envisaged that the Group will continue to develop its core business activities in the Asia Pacific regions. The achievements in the past several years, which brought the Group to its current strong position, allowed us to look forward with confidence about the future.