

The Directors are pleased to present their annual report and the audited financial statements of the Group and the Company for the year ended 31st December, 2005.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services. The principal activities of its principal subsidiaries, associates and jointly controlled entities at 31st December, 2005 are set out in notes 56, 57 and 58 to the financial statements respectively.

RESULTS AND APPROPRIATIONS

The results of the Group and appropriations of the Company are set out in the consolidated income statement on page 37 and in the accompanying notes to the financial statements.

The Directors have proposed the payment of a final dividend of HK15 cents per share payable to shareholders whose names appear on the register of members of the Company on Friday, 26th May, 2006. Since an interim dividend of HK5 cents per share was paid on 4th November, 2005, the total dividend for the year is HK20 cents per share. Details are set out in note 15 to the financial statements.

INVESTMENT PROPERTIES

During the year, the Group spent HK\$780,000 on investment properties and acquired a further HK\$39,362,000 of investment property on the acquisition of a subsidiary. Certain of the Group's properties held for sale with a carrying value of HK\$47,160,000 were transferred to investment properties.

The Group's investment properties were revalued on 31st December, 2005 at HK\$2,626,100,000. The net increase in fair value of HK\$489,975,000 has been credited to the income statement.

Details of these and other movements in the investment properties of the Group during the year are set out in note 17 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent HK\$34,645,000 on property, plant and equipment. The Group also disposed of certain of its property, plant and equipment with a net carrying value of HK\$888,000.

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 18 to the financial statements.

PROPERTIES HELD FOR DEVELOPMENT

The Group has invested in a property development project in the United States of America. An impairment loss previously recognised of HK\$34,700,000 has been reversed in respect of this property.

The Group's properties held for development in the United States of America with carrying value of HK\$131,836,000 were transferred to properties held for sale.

Details of these and other movements in the properties held for development of the Group during the year are set out in note 19 to the financial statements.

PROPERTIES

Particulars of major properties of the Group at 31st December, 2005 are set out on pages 137 and 138.

SHARE CAPITAL

Details of movement in the share capital of the Company during the year are set out in note 38 to the financial statements.

SHARE OPTION SCHEME

Particulars of the share option scheme of the Company are set out in note 39 to the financial statements.

DIRECTORS

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

Executive Directors:

Lee Seng Hui

Edwin Lo King Yau

Mak Pak Hung (appointed on 3rd January, 2006)

Non-Executive Directors:

Lee Su Hwei

Arthur George Dew

Independent Non-Executive Directors:

Wong Po Yan

David Craig Bartlett

John Douglas Mackie

Alan Stephen Jones (appointed on 3rd January, 2006)

Gordon Macwhinnie (retired on 30th December, 2005)

In accordance with Article 105(A) of the Company's Articles of Association, Messrs. Lee Seng Hui, Edwin Lo King Yau and Wong Po Yan will retire by rotation and, being eligible, offer themselves for re-election.

In accordance with Article 96 of the Company's Articles of Association, Messrs. Mak Pak Hung and Alan Stephen Jones, who have been appointed since the last AGM and before the date of this report, will retire at the forthcoming AGM, and being eligible, offer themselves for re-appointment as Directors.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming AGM have an unexpired service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

TERMS OF OFFICE FOR THE NON-EXECUTIVE DIRECTORS

All the Non-Executive Directors (including the INEDs) were appointed for a specific term which shall continue until 31st December, 2006 but subject to the relevant provisions of the Articles of Association of the Company or any other applicable laws whereby the Directors shall vacate or retire from their office.

DIRECTORS' INTERESTS

At 31st December, 2005, Mr. Lee Seng Hui and Ms. Lee Su Hwei, Directors of the Company, had the following interests in the shares of the Company as recorded in the register required to be kept under Section 352 of the SFO:

Name of Director	Number of shares held	Approximate % of the issued share capital	Nature of interest
Lee Seng Hui	101,906,613	40.06%	Personal interest (held as beneficial owner) in 22,921 shares and other interest in 101,883,692 shares (Note 1)
Lee Su Hwei	101,883,692	40.05%	Other interest (Note 1)

Notes:

1. Mr. Lee Seng Hui and Ms. Lee Su Hwei are trustees of Lee and Lee Trust, being a discretionary trust which indirectly held 101,883,692 shares of the Company.
2. The interests stated above represent long positions.

Save as disclosed above, at 31st December, 2005, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations, within the meaning of Part XV of 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year and up to the date of this report, Messrs. Lee Seng Hui, Arthur George Dew and Edwin Lo King Yau and Ms. Lee Su Hwei, Directors of the Company (not being the INEDs), are considered to have interests in the following competing businesses pursuant to the Listing Rules:

- (i) Mr. Lee Seng Hui and Ms. Lee Su Hwei are two of the trustees of Lee and Lee Trust which is a deemed substantial shareholder of each of Allied Properties, Sun Hung Kai, Tian An and Lippo Limited ("Lippo") which, through their subsidiaries, are partly engaged in the businesses as follows:
 - Allied Properties, through a subsidiary, is partly engaged in the business of money lending;
 - Sun Hung Kai, through certain of its subsidiaries, is partly engaged in the businesses of money lending, provision of financial services and property investment;
 - Tian An, through a subsidiary, is partly engaged in the business of money lending; and
 - Lippo, through its subsidiaries, is partly engaged in the businesses of property development and investment, securities broking, securities investment, money lending, provision of financial and other related services;
- (ii) Mr. Lee Seng Hui is a director of Allied Kajima which, through certain of its subsidiaries, is partly engaged in the businesses of property rental, management services and hospitality related activities;
- (iii) Mr. Arthur George Dew is a director of Sun Hung Kai which, through certain of its subsidiaries, is partly engaged in the businesses of money lending, provision of financial services and property investment; and
- (iv) Mr. Edwin Lo King Yau is a director of Tian An which, through a subsidiary, is partly engaged in the business of money lending.

As the Board is independent from the boards of the abovementioned companies and none of the above Directors can control the Board, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which the Directors had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the 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 with the exception of granting of share options to subscribe for shares in the Company under its share option scheme.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

At 31st December, 2005, the following shareholders had interests in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of shareholder	Number of shares held	Approximate % of the issued share capital	Notes
Cashplus Management Limited ("Cashplus")	26,039,000	10.23%	–
Zealous Developments Limited ("Zealous")	26,039,000	10.23%	1, 2
Minty Hongkong Limited ("Minty")	75,844,692	29.82%	–
Lee and Lee Trust	101,883,692	40.05%	3, 4
COL Capital Limited ("COL Capital")	23,792,494	9.35%	5

Notes:

1. This figure refers to the same interest of Cashplus in 26,039,000 shares of the Company.
2. Cashplus is a wholly-owned subsidiary of Zealous. Zealous was therefore deemed to have an interest in the shares in which Cashplus was interested.
3. Minty and Zealous are wholly owned by the trustees of Lee and Lee Trust, being a discretionary trust.
4. Mr. Lee Seng Hui and Ms. Lee Su Hwei, Directors of the Company, together with Mr. Lee Seng Huang are the trustees of Lee and Lee Trust and were therefore deemed to have an interest in the shares in which Minty and Zealous were interested.
5. The interest includes the holding of: (i) 16,337,170 shares held by Honest Opportunity Limited ("Honest Opportunity"), a wholly-owned subsidiary of Classic Fortune Limited ("Classic Fortune") which in turn is a wholly-owned subsidiary of COL Capital; and (ii) 7,455,324 shares held by Focus Clear Limited ("Focus Clear"), a wholly-owned subsidiary of Besford International Limited ("Besford") which in turn is a wholly-owned subsidiary of COL Capital. COL Capital was therefore deemed to have an interest in the shares in which Honest Opportunity, Classic Fortune, Focus Clear and Besford were interested.
6. All interests stated above represent long positions. At 31st December, 2005, no short positions were recorded in the register required to be kept under Section 336 of the SFO.

DISCLOSURE PURSUANT TO RULES 13.20 AND 13.22 OF THE LISTING RULES

The following information is disclosed pursuant to Rules 13.20 and 13.22 of the Listing Rules:

- (a) As at 31st December 2005, the Group had advances to an entity which exceeded 8% of the market capitalisation of the Company. Pursuant to Rules 13.20 of the Listing Rules, the details of the advances are set out as follows:

Name of Entity	Advances at 31st December, 2005
Tian An	HK\$334,233,000

The advances comprise the following:

- (i) loan note issued by Tian An of HK\$78,000,000 to Sun Hung Kai on 29th August, 2003 which is unsecured and bears interest at 2.5% per annum payable on an annual basis. The loan note will mature on 29th August, 2008;
- (ii) term loans of HK\$245,000,000 drawn from a loan facility amounted to HK\$280,000,000 granted to a subsidiary of Tian An for a term of 36 months from 7th November, 2005. The interest on the term loans is charged at prime rate plus 1% per annum. The loans are guaranteed by Tian An;
- (iii) term loans of HK\$4,000,000 and HK\$1,400,000 granted to subsidiaries of Tian An on 8th December, 2005 and 29th December, 2005 for a term of one year with interest charged at 10.5% per annum and prime rate plus 3.5% per annum respectively; and
- (iv) trade receivables and other receivables of HK\$5,833,000 which are unsecured, non-interest bearing and repayable on demand.
- (b) At 31st December, 2005, the Group had advances to certain affiliated companies totalling HK\$424,779,000 which exceeded 8% of the market capitalisation of the Company. Pursuant to Rules 13.22 of the Listing Rules, the proforma combined balance sheet of these companies based on their latest financial statements available is set out as follows:

Pro-forma combined balance sheet:	HK\$'000
Non-current assets	7,201,427
Current assets	3,238,004
Current liabilities	(3,523,605)
Non-current liabilities	(1,831,558)
Minority interests	(416,889)
	<u>4,667,379</u>
Group's proforma attributable interests	<u>1,260,000</u>

EMOLUMENT POLICY

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in note 11 to the financial statements.

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

The emoluments payable to Directors of the Company will depend on their respective contractual terms under their employment contracts or service contracts as approved by the Board on the recommendation of 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 39 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, the Company made the following purchases of its own shares on the Stock Exchange:

Month of purchase on the Stock Exchange in 2005	Number of shares purchased	Purchase consideration per share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
February	200,000	11.05	11.05	2,210,000.00
March	394,000	11.60	10.60	4,423,500.00
April	132,000	11.00	10.60	1,429,900.00
May	356,000	10.90	10.60	3,824,200.00
July	1,214,000	11.05	10.30	13,228,500.00
September	208,000	10.50	10.10	2,144,400.00
October	564,000	10.30	10.05	5,759,100.00
November	1,016,000	10.85	10.25	10,739,300.00
December	2,238,607	11.10	10.80	24,701,355.60

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year.

DONATIONS

The Group made charitable donations of HK\$800,000 during the year.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 18 to 27.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

AUDITORS

A resolution will be submitted to the AGM of the Company to re-appoint Deloitte as the auditors of the Company.

On behalf of the Board



Arthur George Dew

Director

Hong Kong, 12th April, 2006