

Directors' Report

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its principal subsidiaries are engaged in garment manufacturing and trading, branded products distribution, property investment and management, property development and investing activities. The Company, its subsidiaries and its jointly controlled entities are hereinafter collectively referred to as the Group.

The Group's jointly controlled entities and associates are principally engaged in property development.

Details of the Company's principal subsidiaries, Group's principal associates and jointly controlled entities at 31 December 2005 are set out in notes 41 to 43 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2005 are set out in the consolidated income statement on page 41.

An interim dividend of HK1.5 cent (2004: nil) per share, amounting to a total of about HK\$7.9 million, was paid to shareholders on 14 October 2005.

The directors recommend the payment of a final dividend of HK5.5 cents per share for the year ended 31 December 2005 (2004: HK1.75 cent per share) to shareholders whose names appear on the Register of Members of the Company on 16 June 2006, which together with the interim dividend payment amounts to a total of approximately HK\$36.8 million. Subject to the passing of the relevant resolution at the forthcoming annual general meeting, such dividend will be payable to shareholders on 23 June 2006.

SHARE CAPITAL

Movements in the Company's authorised and issued share capital as at 31 December 2005 are set out in note 31 to the financial statements.

RESERVES

Movements in the reserves of the Group and of the Company are set out in note 33 to the financial statements.

INVESTMENT PROPERTIES

The Group revalued its investment properties as at 31 December 2005 on an open market value basis. Movements in the investment properties balance during the year are set out in note 15 to the financial statements.

A summary of the properties held by the Group for investment purposes at 31 December 2005 is set out on page 108.

PROPERTIES UNDER DEVELOPMENT

Details of the Group's properties under development at 31 December 2005 are set out on page 109. Movements in the properties under development balance during the year are set out in note 16 to the financial statements.

OTHER PROPERTIES, PLANT AND EQUIPMENT

Details of the Group's other properties, plant and equipment are set out in note 17 to the financial statements.

DONATIONS

During the year, the Group made charitable and other donations totalling HK\$0.5 million.

DIRECTORS AND DIRECTORS' SERVICES CONTRACTS

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

Executive directors:

Cheng Wai Chee, Christopher *GBS JP, Chairman*
Cheng Wai Sun, Edward *JP, Chief Executive*
Cheng Man Piu, Francis
Ng Tak Wai, Frederick
Au Hing Lun, Dennis

Non-executive directors:

Cheng Wai Keung
Kwok Ping Luen, Raymond
Wong Yick Kam, Michael (also an alternate to Kwok Ping Luen, Raymond)
Hong Pak Cheung, William

Independent non-executive directors:

Simon Murray *CBE*
Fang Hung, Kenneth *GBS JP*
Yeung Kit Shing, Jackson

In accordance with bye-law 100 of the Company's Bye-laws, Messrs. Wong Yick Kam, Michael, Hong Pak Cheung, William and Simon Murray will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

According to the Bye-laws of the Company, all directors, except the Chairman of the Company, are subject to retirement by rotation. In order to comply with the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), Mr. Cheng Wai Chee, Christopher, Chairman of the Company, has undertaken that he shall voluntarily retire by rotation every three years. Mr. Cheng will retire at the forthcoming annual general meeting and being eligible, offers himself for re-election.

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

PUBLIC FLOAT

The Listing Rules normally requires issuers to maintain at least 25% of their listed securities in public hands at all times.

On 13 July 2005, the Company was notified that certain associated persons (who are unconnected with the Company's directors or its controlling and other substantial shareholders) had increased their aggregate percentage holdings in the Company's shares from 9.91% to 10.01%. Accordingly, such associated persons became substantial shareholders of the Company for the purpose of the Listing Rules. As substantial shareholders, they are connected persons of the Company and are no longer members of the public for the purpose of determining the percentage of the Company's shares in public hands. As a result, the percentage of the Company's shares in public hands was reduced to 20.07%.

The above matter was the subject of certain rulings by the Listing Division (as defined in the Listing Rules). These rulings were in turn the subject of a hearing by the Listing Committee (as defined in the Listing Rules). The Listing Committee then made certain decisions and directions which are currently the subject of review by the Listing (Review) Committee (as defined in the Listing Rules).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2005, the interests of the directors and the chief executive of the Company in the shares, underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to 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 ("Model Code") were as follows:

Name of director	Number of shares held					Total	% of the Company's issued share capital
	Personal interest	Family interest	Corporate interest	Other interest			
Cheng Wai Chee, Christopher	2,075,999	–	150,409,086 (Note a)	110,595,862 (Note b)	263,080,947	50.00%	
Cheng Wai Sun, Edward	2,000,000	–	–	110,595,862 (Note b)	112,595,862	21.40%	
Cheng Man Piu, Francis	–	–	–	110,595,862 (Note b)	110,595,862	21.02%	
Cheng Wai Keung	–	–	–	110,595,862 (Note b)	110,595,862	21.02%	
Ng Tak Wai, Frederick	968,000	762,000	–	–	1,730,000	0.33%	
Au Hing Lun, Dennis	384,000	–	–	–	384,000	0.07%	

Notes:

- (a) Mr. Cheng Wai Chee, Christopher was deemed to be interested in 150,409,086 shares of the Company beneficially owned by Bestime Resources Limited, Pofung Investments Limited and Broxbourne Assets Limited by virtue of his corporate interests in these companies. Bestime Resources Limited, Pofung Investments Limited and Broxbourne Assets Limited were the beneficial owners of 68,747,996, 66,698,122 and 14,962,968 shares of the Company respectively.

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- (b) Messrs. Cheng Wai Chee, Christopher, Cheng Wai Sun, Edward, Cheng Man Piu, Francis and Cheng Wai Keung were beneficiaries of a trust which assets include indirect interests in 110,595,862 shares of the Company beneficially owned by Brave Dragon Limited and Wing Tai Garment Manufactory (Singapore) Pte Limited as set out under "Substantial Shareholders" below.

Details of the share options granted under the Share Option Scheme and of the incentive shares awarded under the Share Incentive Scheme to the directors of the Company are set out on page 28 in the "Share Option Scheme/Share Incentive Scheme" section of this report.

All the interests in shares and underlying shares of the Company disclosed above under this section represent long position in the shares of the Company. Save as disclosed above, as at 31 December 2005, none of the directors nor the chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of the SFO) which has been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO and have been recorded in the register maintained by the Company pursuant to section 352 of the SFO; or which has been notified to the Company and the Stock Exchange pursuant to the Model Code.

Other than as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors or the chief executive of the Company to acquire benefits by means of acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the directors, the chief executive, their spouses or children under the age of 18, had any right to subscribe for securities of the Company, or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2005, the following persons (other than the directors and the chief executive of the Company) had interests in the shares and underlying shares of the Company as recorded in the register kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Number of shares beneficially held	% of shareholding
Brave Dragon Limited	106,345,862	20.21
Wing Tai Holdings Limited	110,595,862	21.02 (Note 1)
Deutsche Bank International Trust Co. (Jersey) Limited	110,595,862	21.02 (Note 2)
Deutsche Bank International Trust Co. (Cayman) Limited	110,595,862	21.02 (Note 2)
Wing Tai Asia Holdings Limited	110,595,862	21.02 (Note 2)
Wing Sun Development Private Limited	110,595,862	21.02 (Note 2)
Terebene Holdings Inc.	110,595,862	21.02 (Note 2)
Winlyn Investment Pte Ltd.	110,595,862	21.02 (Note 2)
Bestime Resources Limited	68,747,996	13.06 (Note 3)
Pofung Investments Limited	66,698,122	12.67 (Note 3)
Wing Tai Corporation Limited	135,446,118	25.74 (Note 3)
Wesmore Limited	83,316,158	15.83 (Note 4)
Sun Hung Kai Properties Limited	100,762,150	19.15 (Note 4)
Lo Yuk Sui	52,668,000	10.01 (Notes 5a & 5b)
Century City International Holdings Limited	52,668,000	10.01 (Notes 5a & 5b)
Century City BVI Holdings Limited	52,668,000	10.01 (Notes 5b & 5d)
Paliburg Holdings Limited	52,668,000	10.01 (Notes 5b & 5d)
Paliburg Development BVI Holdings Limited	52,668,000	10.01 (Notes 5b & 5d)
Paliburg International Holdings Limited	52,668,000	10.01 (Notes 5b & 5d)
Paliburg BVI Holdings Limited	52,668,000	10.01 (Notes 5b & 5d)
Regal Hotels International Holdings Limited	52,668,000	10.01 (Notes 5b & 5d)
Regal International (BVI) Holdings Limited	52,668,000	10.01 (Notes 5b & 5d)
Real Chance Profits Limited	51,676,000	9.82 (Notes 5c & 5d)
HK 168 Limited	51,676,000	9.82 (Notes 5c & 5d)

Notes:

- (1) Wing Tai Holdings Limited beneficially owned 89.4% of the issued shares of Brave Dragon Limited and 100% of the issued shares of Wing Tai Garment Manufactory (Singapore) Pte Limited which owned 4,250,000 shares of the Company.
- (2) Deutsche Bank International Trust Co. (Jersey) Limited was the trustee of a family trust (in which Messrs. Cheng Wai Chee, Christopher, Cheng Wai Sun, Edward, Cheng Man Piu, Francis and Cheng Wai Keung were beneficiaries) which held all units of a unit trust ("Unit Trust"). Deutsche Bank International Trust Co. (Cayman) Limited was the trustee of the Unit Trust which beneficially owned 100% of the issued shares of Wing Tai Asia Holdings Limited and 61.3% of the issued shares of Terebene Holdings Inc. Wing Tai Asia Holdings Limited, through its wholly-owned subsidiary, Wing Sun Development Private Limited, held 28.2% of the issued shares of Wing Tai Holdings Limited. Terebene Holdings Inc. held 59.3% of the issued shares of Winlyn Investment Pte Ltd. which in turn held 9.2% of the issued shares of Wing Tai Holdings Limited.
- (3) Wing Tai Corporation Limited beneficially owned 100% of the issued share capital of Bestime Resources Limited and Pofung Investments Limited and therefore, it was deemed to be interested in the shares of the Company beneficially owned by Bestime Resources Limited and Pofung Investments Limited.
- (4) Sun Hung Kai Properties Limited ("SHKP") beneficially owned 100% of the issued share capital of Soundworld Limited, Techglory Limited and Wesmore Limited. SHKP was deemed to be interested in the shares of the Company owned by Soundworld Limited, Techglory Limited and Wesmore Limited by virtue of its corporate interests in these companies. Soundworld Limited was the beneficial owner of 16,260,992 shares of the Company and Techglory Limited was the beneficial owner of 1,185,000 shares of the Company.
- (5) (a) These shares were held through the companies controlled by Century City International Holdings Limited ("CCIHL"), of which Mr. Lo Yuk Sui is the Chairman and controlling shareholder. 51,676,000 shares of the Company were beneficially owned by HK 168 Limited ("HK 168"), in which shares Real Chance Profits Limited was deemed to have an interest through its direct shareholding interests in HK 168. 992,000 shares of the Company were beneficially owned by a company controlled by Regal International (BVI) Holdings Limited ("Regal BVI").

Regal BVI, Regal Hotels International Holdings Limited, Paliburg BVI Holdings Limited, Paliburg International Holdings Limited, Paliburg Development BVI Holdings Limited, Paliburg Holdings Limited, Century City BVI Holdings Limited and CCIHL were deemed to have an interest through their indirect shareholding interests in the said beneficial owners of the 52,668,000 shares of the Company.
- (b) These interests in 52,668,000 shares of the Company are duplicated amongst Mr. Lo Yuk Sui and all these companies.
- (c) These interests in 51,676,000 shares of the Company are duplicated amongst Mr. Lo Yuk Sui and these companies.
- (d) These companies are controlled by CCIHL.

All the interests in shares disclosed under this section represent long position in the shares of the Company. Save as disclosed above, as at 31 December 2005, the Company is not aware of any other person (other than the directors and the chief executive of the Company) who has an interest or a short position in the shares or underlying shares of the Company which was required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and have been recorded in the register kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

Details of the share options granted to an independent non-executive director under the Share Option Scheme are as follows:-

Name	Date of grant	Exercise price per share	Number of shares issuable under the options granted				Exercisable period
			As at 1 January 2005	Granted during the year	Exercised during the year	As at 31 December 2005	
Simon Murray	19.4.2005	HK\$2.125	-	1,000,000	-	1,000,000	19.4.2006 to 18.4.2010

Details of the Share Option Scheme of the Company are set out in note 32 to the financial statements.

SHARE INCENTIVE SCHEME

Details of the incentive shares awarded to executive directors under the Share Incentive Scheme are as follows:-

Name	Date of award	Subscription price per share*	As at 1 January 2005	Awards made during the year	Awards vested during the year	As at 31 December 2005	Vesting period
Cheng Wai Chee, Christopher	13.9.2005	HK\$0.5	-	600,000	-	600,000	13.9.2006 to 12.9.2009
Cheng Wai Sun, Edward	13.9.2005	HK\$0.5	-	600,000	-	600,000	13.9.2006 to 12.9.2009
Ng Tak Wai, Frederick	13.9.2005	HK\$0.5	-	90,000	-	90,000	13.9.2006 to 12.9.2009
Au Hing Lun, Dennis	13.9.2005	HK\$0.5	-	150,000	-	150,000	13.9.2006 to 12.9.2009

* Fund for subscription price will be provided by the Company at a time of the exercise of right to subscribe for shares of the Company by the executive directors.

Details of the Share Incentive Scheme of the Company are set out in note 32 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

There were no contracts of significance to which the 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, which subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

The interests of directors of the Company in competing business required to be disclosed pursuant to Rule 8.10 of the Listing Rules are as follows:

Messrs. Cheng Wai Chee, Christopher, Cheng Wai Sun, Edward and Cheng Man Piu, Francis are substantial shareholders of Wing Tai (Cheng) Holdings Limited and Pacific Investment Exponents Inc. (the "Group One Companies"). Messrs. Cheng Wai Chee, Christopher and Cheng Man Piu, Francis are directors of Wing Tai (Cheng) Holdings Limited. Messrs. Cheng Wai Chee, Christopher, Cheng Wai Sun, Edward and Cheng Man Piu, Francis are directors of Pacific Investment Exponents Inc.

Messrs. Cheng Wai Chee, Christopher, Cheng Wai Sun, Edward, Cheng Man Piu, Francis and Cheng Wai Keung are beneficiaries of a family trust which is a substantial shareholder of Wing Tai Garment Industrial Holdings Limited (the "Group Two Company"). Messrs. Cheng Wai Chee, Christopher and Cheng Man Piu, Francis are directors of the Group Two Company.

Messrs. Cheng Wai Chee, Christopher, Cheng Wai Sun, Edward, Cheng Man Piu, Francis and Cheng Wai Keung are beneficiaries of a family trust which is a substantial shareholder of Wing Tai Asia Holdings Limited and Terebene Holdings Inc. (the "Group Three Companies"). Mr. Cheng Wai Keung is a director of the Group Three Companies.

Certain companies controlled by the Group One Companies and the Group Two Company carry on garment business in China and Cambodia which may be regarded as competitive to the Group's apparel business.

Certain companies affiliated with the Group Three Companies carry on garment business in Malaysia and Sri-Lanka which might be regarded as competitive to the Group's apparel business.

The Group's management team is separated from and independent of those of the Group One Companies, Group Two Company and Group Three Companies. The Group's management team has been instructed that whatever businesses to be transacted with the Group One Companies, Group Two Company, Group Three Companies and/or any companies controlled thereby or affiliated therewith shall be transacted at arm's length. Furthermore, the Company's independent non-executive directors and the members of the Company's Audit Committee will ensure that the Group is capable of carrying on its business independently of, and at arm's length from the aforesaid garment businesses.

Messrs. Cheng Wai Chee, Christopher and Cheng Wai Sun, Edward are non-executive directors of and interested in Winsor Properties Holdings Limited ("WPHL"). Mr. Au Hing Lun, Dennis is an alternate director to Messrs. Cheng Wai Chee, Christopher and Cheng Wai Sun, Edward in WPHL. The industrial buildings rental business and property development business of WPHL may be regarded as competitive to the Group's property rental business and property development business.

The Group's management team is separated from and independent of the management team of WPHL. The Group's management team has been instructed that whatever businesses to be transacted with WPHL and/or any companies controlled thereby or affiliated therewith shall be transacted at arm's length. The industrial buildings rental by the Group and WPHL are targeting at different customer bases and different market segments. Furthermore, the independent non-executive directors of the Company and the members of the Company's Audit Committee will ensure that the Group is capable of carrying on its businesses independently of, and at arm's length from the aforesaid industrial property rental business and property development business of WPHL.

Messrs. Kwok Ping Luen, Raymond and Wong Yick Kam, Michael are directors of Sun Hung Kai Properties Limited ("SHKP"). Businesses of SHKP consist of property development and investment. Only in this respect they are regarded to be interested in the relevant competing business with the Group.

Mr. Kwok Ping Luen, Raymond is a director of Transport International Holdings Limited ("TIH"). Businesses of TIH consist of property development and investment. Only in this respect he is regarded to be interested in the relevant competing business with the Group.

The aforesaid competing businesses, in which Messrs. Kwok Ping Luen, Raymond and Wong Yick Kam, Michael are regarded to be interested, are managed by separate publicly listed companies with independent management and administration. In this respect, coupled with the diligence of its independent non-executive directors and the Audit Committee, the Group is capable of carrying on its business independently of, and at arm's length from the said competing businesses.

CONNECTED TRANSACTIONS

During the year ended 31 December 2005, the Group had the following connected transactions, details of which are set out below:

I) Connected Transactions

- (1) Loan Facilities for an amount of HK\$1,401 million granted by The Hongkong and Shanghai Banking Corporation Limited to Union Charm Development Limited ("UCD") had been repaid in full on 20 September 2005. All the securities in connection with these loan facilities provided by the Company and its subsidiaries have been released.
- (2) In November 2003, the Company, through a wholly-owned subsidiary, Kosheen Investments Limited, formed a joint venture company, namely Winwill Investment Pte Ltd ("Winwill"), together with a wholly-owned subsidiary of Wing Tai Holdings Limited ("WTH") and a wholly-owned subsidiary of Winsor Properties Holdings Limited ("WPHL") on a 20:60:20 basis.

Winwill is an investment vehicle. It holds a 60% interests in another joint venture company, namely Winhome Investment Pte Ltd ("Winhome"). Other shareholders of Winhome are independent third parties to each of the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or their respective associates.

Winhome undertakes the development and sale of a residential land parcel at Flower Road/ Kovan Road in Singapore. Financial assistance in the form of shareholders' loan provided to Winhome in proportion to the Group's equity interests in Winhome and on normal commercial terms amounted to HK\$51.2 million in 2005.

WTH is a substantial shareholder of the Company and a connected person of the Company for the purpose of the Listing Rules. WPHL is a substantial shareholder of two subsidiaries of the Company and hence a connected person of the Company.

- (3) On 1 November 2004, Unimix Properties Limited, a 86.4%-owned subsidiary of the Company, entered into a tenancy agreement with Wing Tai Corporation Limited (“WTC”) for the leasing of the premises situated at Unit B, 18/F and Unit A, 22/F, Unimix Industrial Centre, 2 Ng Fong Street, San Po Kong, Kowloon, Hong Kong for a term of two years commencing on 1 November 2004 at a total rent and management fee of HK\$2,646,067 (exclusive of electricity charges for the air-conditioning system) for the two years’ lease term payable in 24 monthly payments to be paid in advance on the first date of each month.
- (4) On 3 December 2004, USI Property Management Limited (“USIPM”), a wholly-owned subsidiary of the Company, entered into a project management agreement (“PM Agreement”) with Begin Land Limited (“Begin Land”), a wholly-owned subsidiary of WPHL. Pursuant to the PM Agreement, Begin Land appointed USIPM as the project manager to manage the construction and development of the property situated at 102 How Ming Street, Kwun Tong, Kowloon for a term of approximately 70 months commencing on 1 December 2004 until the date of settlement of the final account in respect of the property project which is expected to be a date not later than 30 September 2010.

The estimated total project management fee payable by Begin Land to USIPM is approximately HK\$1.8 million.

- (5) On 14 March 2005, the Company and WPHL entered into a memorandum of agreement pursuant to which the Company and WPHL formed a 80:20 joint venture for the investment and development of the property situated at No.157 Argyle street, Kowloon (the “Property”). The joint venture, Pangold Development Limited (“Pangold”), acquired the Property by way of public tender at the tender purchase price of HK\$250.1 million. This connected transaction was approved by the independent shareholders (voting by poll) at a special general meeting held on 21 April 2005.

A shareholders agreement had been entered into on 14 July 2005 by the Company and WPHL which sets out the terms governing the management of Pangold and the obligations of the parties to the agreement.

- (6) On 30 September 2005, the Company and WPHL entered into a memorandum of agreement pursuant to which the Company and WPHL formed a 70:30 joint venture for the refurbishment of the property situated at Nos. 314-324 Hennessy Road, Hong Kong (the “Building”). The Building was acquired by the joint venture, Winnion Limited (“Winnion”), by way of public tender at the tender purchase price of HK\$529 million.

The total investment amount of Winnion in the Building was estimated to be about HK\$700 million which includes (i) the tender purchase price of the Building; (ii) the costs incurred in the acquisition of the Property and (iii) the estimated costs of refurbishment of the Building. This connected transaction was approved by the independent shareholders (voting by poll) at a special general meeting held on 9 November 2005. WPHL’s total investment in Winnion was estimated to be about HK\$210 million.

A shareholders agreement had been entered into on 28 November 2005 by the Company and WPHL which sets out the terms governing the management of Winnion and obligations of the parties to the agreement.

II) Continuing Connected Transaction

On 22 June 2005, the Group formed a joint venture with Morgan Stanley Real Estate Fund IV International Funds ("MSREF IV International"), a substantial shareholder of a subsidiary of the Company and therefore a connected person of the Company under the Listing Rules, for the Lanson Place Jin Lin Tian Di serviced apartment project ("Project"). In connection with the Project:

- (1) Flourish City Limited ("Flourish City"), a wholly-owned subsidiary of the Company, entered into a Share Purchase Agreement and a Shareholders' Agreement with MSR Capital Two Limited ("MSREF"), a subsidiary of MSREF IV International. Under the Share Purchase Agreement, Flourish City acquired 23.4% of the issued share capital of Jin Lin Tiandi Holding Company ("JLTDH") from MSREF. JLTDH ultimately has a wholly foreign owned enterprise, Shanghai Jinlin Tiandi Serviced Apartment Management Co. Ltd ("WFOE") in the PRC which owns a serviced apartment tower, 50 carparks and a club house in Shanghai (together the "Assets").

The Shareholders' Agreement sets out the terms governing the management and operation of, and the relationship of the parties as shareholders in, JLTDH;

- (2) Lanson Place Hotels and Residences (Bermuda) Limited ("Lanson Place Bermuda"), a wholly-owned subsidiary of the Company, entered into a Licence Agreement with WFOE under which Lanson Place Bermuda is to grant a royalty-free, non-exclusive licence to WFOE to use in the PRC certain trademarks which were registered at the PRC Trademark Office in connection with the operations and running of the serviced apartments owned by WFOE;
- (3) Lanson Place Management Limited ("Lanson Place"), a wholly-owned subsidiary of the Company, entered into an Operating Agreement with WFOE pursuant to which Lanson Place is to manage the Assets on behalf of WFOE. The Operating Agreement is for a term of three years commencing from 22 June 2005. Lanson Place received a fee of RMB1,242,000 (equivalent to approximately HK\$1,163,000) for the services it provided prior to the opening of the project.

The total management fee of HK\$3,522 (including a basic management fee of HK\$3,522 and an incentive management fee of HK\$Nil) received by Lanson Place for the year ended 31 December 2005 is within the Annual Cap for 2005 as set out in the Company's announcement dated 23 June 2005.

The independent non-executive directors of the Company have reviewed and confirmed that the above continuing connected transactions:

- (a) were entered into in the ordinary and usual course of business of the Group;
- (b) were entered into on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole;
- (c) were entered into on normal commercial terms; and
- (d) were entered into in accordance with the relevant agreement governing such transactions.

The external auditors of the Company have also confirmed that the above continuing connected transactions:

- (a) had been approved by the directors;
- (b) were in accordance with the relevant agreement governing such transactions; and
- (c) had not exceeded the annual cap as disclosed in previous announcements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2005, the aggregate amount of turnover attributable to the Group's five largest customers was less than 30% of the total value of the Group's turnover. The aggregate amount of purchase attributable to the Group's five largest suppliers was less than 30% of the total value of the Group's purchases.

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

DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES

As at 31 December 2005, the aggregate amount of financial assistance to and guarantees given for facilities granted to affiliated companies by the Group amounted to HK\$431.7 million in aggregate which exceeded 8% of the assets ratios as defined in Rule 14.07(1) of the Listing Rules.

A pro-forma combined balance sheet of these affiliated companies and the Group's attributable interest in these affiliated companies as at 31 December 2005 are presented below:

	Pro-forma combined balance sheet	Group's attributable interest
	HK\$'M	HK\$'M
Non-current assets	2,362.7	312.4
Current assets	4,450.3	1,636.8
Current liabilities	(3,326.4)	(1,347.8)
Non-current liabilities	(2,588.5)	(358.3)
Net assets	<u>898.1</u>	<u>243.1</u>

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws although there is no restriction against such rights under the laws in Bermuda.

FIVE YEAR 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 107.

AUDITORS

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Messrs. PricewaterhouseCoopers as the auditors of the Company.

On behalf of the Board

Cheng Wai Chee, Christopher

Chairman

Hong Kong, 20 April 2006