

Report of the Directors

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries include property development, property leasing and provision of building management services in Hong Kong and infrastructure facilities in the Mainland. Other particulars of the subsidiaries are set out in note 45 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2005 and the state of the Group's and the Company's affairs as at that date are set out in the financial statements on pages 26 to 100.

The Board of Directors recommend a final dividend of HK\$0.035 (2004: HK\$0.025) per share for the year ended 31 December 2005. Subject to the approval of the shareholders at the forthcoming annual general meeting, the final dividend will be dispatched on or about 6 July 2006.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 18 to the financial statements.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Group's principal subsidiaries and associates are set out in notes 45 and 21 to the financial statements.

BORROWINGS

Particulars of the borrowings of the Group at the balance sheet date are set out in note 31 to the financial statements.

During the year, the Group has not capitalised any interest (2004: Nil).

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 34 to the financial statements.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity on page 31 to 32 and in note 35 to the financial statements respectively.

WARRANTS

Particulars of warrants are set out in note 37 to the financial statements.

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CONVERTIBLE BONDS

Particulars of convertible bonds are set out in note 32 to the financial statements.

SHARE OPTIONS

Particulars of the share options granted are set out in note 36 to the financial statements.

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 102.

PROPERTIES

Particulars of the major properties held by the Group are set out on page 101.

DIRECTORS

The Directors of the Company are listed on page 2. The Directors' biographical information is set out on pages 5 to 6.

In accordance with the bye-laws of the Company (the "Bye-laws"), Ms. Chan Wai Ling and Mr. Liu Hanbo, existing directors of the Company, shall retire from office by rotation in the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Non-Executive Directors are not appointed for a specific term but are subject to retirement by rotation in accordance with the Bye-laws.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

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DIRECTORS' INTERESTS AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES

1. Directors' Interests in the Company

As at 31 December 2005, the interests of the Directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571) (the "SFO")) which are required to be (i) notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(i) Long positions in the shares:

Name of Director	Capacity	Number of Shares	Approximate Percentage of Shareholding
Foo Kam Chu, Grace	Interest of controlled corporation	156,783,709 (Note)	70.55
	Beneficial owner	96,000	0.04
Tse Chun Kong, Thomas	Interest of Spouse	6,000	0.00
	Beneficial owner	723	0.00

Note: The 156,783,709 shares are held by Ko Bee Limited, the entire issued share capital of which is held by Madam Foo Kam Chu, Grace.

(ii) Long position in underlying shares of equity derivatives of the Company — interests in bonus warrants each of which is convertible into one share at the subscription price of HK\$2.00 (subject to adjustment) per share:

Name of Director	Capacity	Number of Underlying Shares held as Bonus Warrants	Approximate Percentage of Underlying Shares
Tse Chun Kong, Thomas	Interest of Spouse	1,000	0.00
	Beneficial owner	120	0.00

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- (iii) Long positions in underlying shares of equity derivatives of the Company — interests in share options of the Company (being granted and remained outstanding):

Name	Capacity	Number of Shares in the		Price of Grant	Subscription Price per Share
		Option	Exercisable Period		
Foo Kam Chu, Grace	Beneficial owner	76,000	02/07/2001 to 24/02/2007	HK\$1.00	HK\$2.97
		200,000	06/01/2005 to 05/01/2010	HK\$1.00	HK\$1.47
		200,000	04/01/2006 to 03/01/2011	HK\$1.00	HK\$2.38
Tse Chun Kong, Thomas	Beneficial owner	50,000	02/07/2001 to 24/02/2007	HK\$1.00	HK\$2.97
		60,000	08/01/2004 to 07/01/2009	HK\$1.00	HK\$1.50
		90,000	06/01/2005 to 05/01/2010	HK\$1.00	HK\$1.47
		90,000	04/01/2006 to 03/01/2011	HK\$1.00	HK\$2.38
Chan Wai Ling	Beneficial owner	60,000	02/07/2001 to 24/02/2007	HK\$1.00	HK\$2.97
		60,000	08/01/2004 to 07/01/2009	HK\$1.00	HK\$1.50
		90,000	06/01/2005 to 05/01/2010	HK\$1.00	HK\$1.47
		90,000	04/01/2006 to 03/01/2011	HK\$1.00	HK\$2.38
Kwan Chai Ming	Beneficial owner	20,000	01/06/2001 to 24/02/2007	HK\$1.00	HK\$12.40
		10,000	02/01/2002 to 24/02/2007	HK\$1.00	HK\$2.97
		80,000	04/01/2006 to 03/01/2011	HK\$1.00	HK\$2.38
Liu Hanbo	Beneficial owner	60,000	08/01/2004 to 07/01/2009	HK\$1.00	HK\$1.50
		90,000	06/01/2005 to 05/01/2010	HK\$1.00	HK\$1.47
		90,000	04/01/2006 to 03/01/2011	HK\$1.00	HK\$2.38
Meng Qinghui	Beneficial owner	60,000	08/01/2004 to 07/01/2009	HK\$1.00	HK\$1.50
		90,000	06/01/2005 to 05/01/2010	HK\$1.00	HK\$1.47
		90,000	04/01/2006 to 03/01/2011	HK\$1.00	HK\$2.38

- (iv) Long positions in underlying shares of equity derivatives of the Company — interests in convertible bonds each of which is convertible into one share at the conversion price of HK\$1.66 per share:

Name of Director	Capacity	Principal Amount	Number of
		of Convertible Bonds	Underlying Shares
Foo Kam Chu, Grace	Interest of Controlled Corporation	HK\$23,499,490	14,156,319 (Note)

Note: These underlying shares are held by Ko Bee Limited, a company wholly owned by Madam Foo Kam Chu, Grace who is deemed, by virtue of the SFO, to be interested in these underlying shares.

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2. Directors' Interests in Associated Corporations

Name of Director	Name of Associated Corporation	Capacity	Number and Class of Shares	Percentage of Shareholding
Foo Kam Chu, Grace	Ko Bee Limited	Beneficial owner	1 ordinary share	100

Save as disclosed above, as at 31 December 2005, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed above and notes 32 and 36 to the financial statements, at no time during the year ended 31 December 2005, were rights to subscribe for equity or debt securities of the Company granted to any director or chief executive of the Company or to the spouse or children under 18 years of age of any such director or chief executive as recorded in the register required to be kept under Part XV of the SFO, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable any such persons to acquire any such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2005, the persons other than a director or chief executive of the Company who has an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, were as follows:

1. Long positions in the Shares

Name of Shareholder	Capacity	Number of Shares	Approximate Percentage of Shareholding
Ko Bee Limited	Beneficial owner	156,783,709	70.55
China Ocean Shipping (Group) Company (Note)	Interest of a controlled corporation	7,937,664	3.57
Peaktrade Investments Limited (Note)	Beneficial owner	4,447,104	2.00
Graceful Nice Limited (Note)	Beneficial owner	3,490,560	1.57

Note: China Ocean Shipping (Group) Company is deemed (by virtue of the SFO) to be interested in 7,937,664 shares together held by both Peaktrade Investments Limited and Graceful Nice Limited as they are its indirect subsidiaries.

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2. Long Positions in Underlying Shares of Equity Derivatives of the Company — Interest in the Bonus Warrants of the Company:

Name of Shareholder	Capacity	Units of Warrant	Number of Underlying Shares
China Ocean Shipping (Group) Company (Note 1)	Interest of a controlled corporation	1,322,944	1,322,944
Peaktrade Investments Limited (Note 1)	Beneficial owner	741,184 (Note 2)	741,184
Graceful Nice Limited (Note 1)	Beneficial owner	581,760 (Note 2)	581,760

Notes:

1. China Ocean Shipping (Group) Company is deemed (by virtue of the SFO) to be interested in 1,322,944 underlying shares together held by both Peaktrade Investments Limited and Graceful Nice Limited as they are its indirect subsidiaries.
2. 741,184 and 581,760 units of bonus warrant of the Company had been granted to Peaktrade Investments Limited and Graceful Nice Limited respectively and these bonus warrant remained unexercised.

3. Long positions in underlying shares of equity derivatives of the Company — interest in the convertible bonds of the Company:

Name of Shareholder	Capacity	Principal Amount of Convertible Bonds	Number of Underlying Shares
Ko Bee Limited	Beneficial owner	HK\$23,499,490	14,156,319

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in (i) the paragraph under the heading of "Directors' Right to Acquire Shares and Debentures" above and (ii) paragraphs (a) to (e) under the heading of "Related Party Transactions" in note 41 to the financial statements, no contracts of significance in relation to the Company's business to which the Company was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, approximately 7% of the Group's purchases were attributable to the Group's largest supplier and approximately 18% of the Group's purchases were attributable to the Group's five largest suppliers.

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During the year, approximately 7% of the Group's turnover were attributable to the Group's largest customer and approximately 19% of the Group's turnover were attributable to the Group's five largest customers.

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

CONNECTED TRANSACTIONS

During the year, other than those, the disclosure of which is exempted pursuant to Rule 14A.31 and 14A.65 of the Listing Rules (details of such connected transactions being also related party transactions are mentioned in note 41 to the financial statements), there were no other connected transaction (as defined under Chapter 14A of the Listing Rules) entered into.

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

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, it is confirmed that there is sufficient public float of the Company's shares in the market as at 21 April 2006, the latest practicable date prior to the issue of this annual report.

AUDITORS

Messrs. Grant Thornton, Certified Public Accountants ("GT") was appointed on 3 April 2003 as auditors of the Company to fill the vacancy arising from the resignation of Messrs. Moores Rowland on 20 February 2003. Starting from the financial year ended 31 December 2002, the financial statements of the Company are audited by GT.

GT had resigned as auditors of the Company and its subsidiaries with effect from 12 January 2006. CCIF CPA Limited was then proposed to be appointed as the new auditors to fill the vacancy following the resignation of GT. Due to the concern of certain bank creditor on the frequent change of auditors, GT was therefore re-appointed as the Company's auditor in the special general meeting convened on 28 March 2006. Such appointment will continue until the forthcoming annual general meeting.

A resolution will be submitted to the forthcoming annual general meeting to re-appoint GT as auditors of the Company.

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CLOSURE OF REGISTER OF MEMBERS

The Register of members of the Company will be closed from Tuesday, 23 May 2006 to Monday, 29 May 2006 (both days inclusive) during which no transfer of shares will be registered. In order to qualify for the final dividend, all transfer of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Standard Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Monday, 22 May 2006.

By order of the Board

Foo Kam Chu, Grace

Chairman

Hong Kong, 21 April 2006