

| MANAGEMENT DISCUSSION AND ANALYSIS |

BUSINESS REVIEW**Infrastructure and Public Utilities*****Toll Roads***

The traffic volume of Beijing Capital Airport Expressway increased by 7.7 % to 45.96 million vehicles in 2005, a new record for the Expressway. Average daily traffic flow was 125,918 vehicles which was close to the designed capacity of 135,000 vehicles. The traffic volume growth for Airport Expressway will be constrained without expansion or extension to the original road structure.



The traffic volume of Shenzhen Shiguan Toll Road declined by 7.3 % to 10.07 million vehicles in 2005 mainly due to reconstruction work of certain bridge structure along the toll road.

The revenue from toll road operations increased by 9.7% to HK\$477 million comparing to last year. Segment net profits attributable to the Group increased by 11.8% to 227 million.

Water Treatment Concession

Operating profit attributable to the Group remained steady at approximately HK\$128 million. The cash return from this water treatment concession remained the major source of cash income for the Group in the year 2005.

**Consumer Products*****Beer***

The sales volume for Yanjing's brewery operations increased by 8.7% to 3.13 million tons in 2005, another record level for Yanjing. The turnover for 2005 was HK\$4.556 billion, increased 30.4% comparing to last year. Yanjing has an estimated market share of 85% in Beijing city and 12% on nationwide basis. The growth in the premium sector beer market was most encouraging, sales volume increased almost 38% to 90,000 tons in 2005.



The operating profit attributable to the Group increased by 4.7% to HK\$134 million. Also, the Group shared an exceptional gain of HK\$12.23 million through the exercise of convertible bonds of Yanjing Brewery by the Yanjing Brewery's bondholders. The profit margin for Yanjing's beer products remained steady mainly due to effective cost control measure.

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Yanjing has established and acquired 19 regional beer operations throughout the PRC and bear a total operating capacity of 4.5 million tons. Yanjing is poised to maintain its leading position in the China beer market and plans to become one of the top ten brewer in the world.

Retail and Tourism Services

Retail

The revenue of Wangfujing Department Stores jumped 45.3% to HK\$4.737 billion mainly due to acquisition and opening of new stores in Beijing and other provinces in the PRC. Wangfujing operates altogether 13 medium and large scale department stores in the PRC with a total floor area of 299,043 square metres.



Riding on the strong turnover growth, net profit attributable to the Group improved to HK\$15.7 million. Some of the new stores have not yet achieved economy of scale and are still suffering from operating losses. Also, the operating profits derived from department store business was largely offset by interest expenses and set up costs of new stores.



Tourism

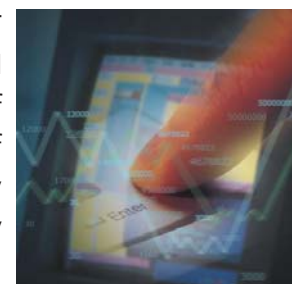
The Group is transforming into a limited diversified conglomerate with focus on infrastructure and utilities business and supplemented by consumer products sector. In order to achieve this strategic goal, the Group disposed of Jianguo Hotel last year. During the year, the Company completed the disposal of Badaling Tourism Development Ltd. as well. Only Longqingxia tourism site was left behind in this sector.

The tourism sector suffered a minor loss in 2005 due to the impairment provision for investment in Long Qing Xia. The Group will ultimately withdraw from this sector in the future.

Technology

Information Technology

Beijing Development (Hong Kong) Limited remained the Group's IT application flagship. Its consolidated turnover almost remained unchanged at HK\$531 million in 2005. The Group share a net operating loss of HK\$19.56 million mainly due to provision against certain receivables of services income derived in previous years. Beijing Development recently secured major system integration provision contracts for Beijing Subway system and is expected to drive revenue and profit growth in the future.



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Others

Ever Source Science & Technology Development Co., Limited engages in the development and use of the energy (heat) of the earth's surface. After five years' practice, its development and use of surface energy (heat) is applied to buildings located in different geological conditions, area and functions. At present, its products for surface heat gathering are under proprietary intellectual property rights protection, standardized, and produced in large scale.



Since 2005, Ever Source Science & Technology Development Co., Limited has been establishing regional energy service companies as franchised operations to promote the use of surface energy (heat) as a first alternative strategic energy resource for heating.

Formerly an engineering contractor, Ever Source Science & Technology Development Co., Limited is in the process of transformation into a product supplier and a technology service supplier using an integrated technology platform as support, while sales, construction works, operation services, and supply of parts and accessories are carried out by regional companies.

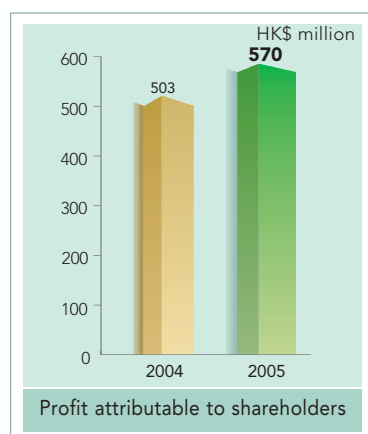
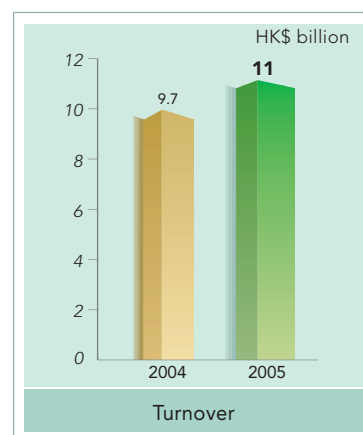
The business turnover of Ever Source Science & Technology Development Co., Limited has undergone a significant fall as a result of operation mode adjustments. In 2005, a net operating loss of approximately HK\$30 million of Ever Source Science & Technology Development Co., Limited was attributed to the Group. Given the implementation of the strategy of using the surface energy as a heating substitute, its business is expected to improve in the near future.

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FINANCIAL REVIEW

Overall analysis of results

Turnover of the Group was approximately HK\$11 billion for the year, increased 13.8% comparing to last year. The strong growth was driven by merger of Shuang An and Dong An department stores with Wangfujing Group in Beijing, opening of new department stores by Wangfujing Group as well as expansion of regional operations by Yanjing Brewery.



Profit attributable to shareholders of the Company for year 2005 increased by 13.3% to HK\$570.4 million. Earning per share was up the same extent to HK\$0.92. The healthy growth in net profit was helped by deconsolidation of loss making dairy business since the beginning of 2005. During the year, the strong revenue growth of the Capital Expressway and turnaround of Wangfujing' retail business helped to drive the operating profit growth of the Group.

Overall gross profit margin was steady at 27% mainly due to steady product price and materials costs. Selling and distribution costs increased significantly also due to consolidation of results of Shuang An and Dong An department stores as well as Huiquan Beer.

Exceptional Profits

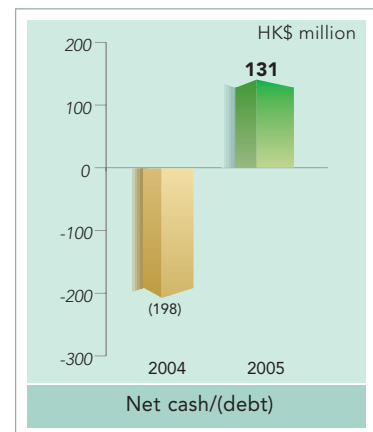
During the year, the Group completed the sale of equity interests in Sanyuan Foods and Badaling Tourism Development Ltd and several other smaller projects and altogether derived gross exceptional gain of approximately HK\$217 million. The Group also took the chance to make provision for the diminution in value of goodwill attributing to certain non performing assets and diminution in value of some other investment projects. The net exceptional gain attributable to the Group was approximately HK\$128 million.

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Cashflow and Financial Position

	2005 year end HK\$ million	2004 year end HK\$ million
Cash	3,558	4,195
Short-term loans	2,505	2,100
Long-term loans	922	2,293
Net cash/(debt)	131	(198)
Net debt equity ratio	N/A	2.5%

Cash position decreased by approximately HK\$637 million mainly due to early partial repayment of the outstanding syndicated loans. Total bank borrowings including long term loans declined by a greater extent of HK\$966 million due to receipt of certain proceeds from disposal of Sanyuan Dairy and Badaling Tourism Development Ltd. Net cash position (cash netting off bank loans and convertible bond) was HK\$131 million at end of 2005.



	2005 year end HK\$ billion	2004 year end HK\$ billion
Non-current assets	12.04	10.88
Current assets	7.58	8.51
Current liabilities	6.0	5.32
Net current assets	1.58	3.19

Non-current assets increased by approximately HK\$1.16 billion mainly due to merger of Shuangan and Dongan department stores as well as consolidation of Huiquan Beer upon acquisition of its controlling interests. Current assets at end of the year decreased significantly by HK\$921 million mainly due to exclusion of relevant assets of Sanyuan upon completion of sale of its equity interests and transfer of prepaid expenditure to fixed assets by Yanjing Brewery. Current liabilities increased by HK\$676 million mainly due to consolidation of Huiquan Beer and merger of Shuang An and Dong An department stores. Net current assets of the Group was HK\$1.58 billion at end of 2005.

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SUBSEQUENT EVENTS

The Group has initiated the share reform plan of Beijing Yanjing Beer Ltd., an A share listed company in the Shenzhen Stock Exchange. Details and potential financial impact of the initial share reform plan was announced in a separate announcement on 31 March 2006. Upon completion of the share reform plan, the Group's equity interests in Yanjing will become tradable shares and is likely to be more valuable.

On 31 March 2006, the Group entered into conditional sale and purchase agreement to sell the entire 50.13% controlling interests in Wangfujing department Stores Ltd. The details of the transaction was announced in a separate announcement on 3 April 2006. Upon completion of the transaction, the Group is expected to derive exceptional gain of approximately HK\$180 million. Also, the Group will completely withdraw from the retail and tourism sector and focus its future resources on the development and operation of utilities and infrastructure projects in Beijing area.

CAPITALISATION

Shareholders' equity increased to approximately HK\$8.44 billion while minority interests amounted to approximately HK\$4.06 billion as at 31 December 2005.

PROSPECTS

Upon completion of disposal of controlling stake in Wangfujing Department Stores Ltd, the Group will become more focused on infrastructure and utilities sector. In the mean time, the Group will remain committed to brandname beer business, continue to develop the national brandname.

In the toll road business, the Group has committed to invest and construct the northern extension of the Beijing Capital Expressway. The new extension is expected to expand total traffic volume and bring in additional revenue.

As regarding utilities business, the Group is in the process of feasibility study of new water purification project in Beijing. Also, the Group is pursuing possibility of investing in pipeline gas business in Beijing and neighbouring provinces.