



CHAIRMAN'S STATEMENT

RESULTS

The Group recorded a turnover of HK\$32,564,000 for the year ended 31st December 2005, which represented a decrease of approximately HK\$4,426,000 or 12% as compared with last year. The decrease in turnover is mainly due to the decrease in rental income as a result of the exclusion of the results of Beijing Lucky Building Company Limited, which was reclassified as investment for sale in 2005.

The Group's profit attributable to equity holders in this year was HK\$177,873,000, as compared to loss of HK\$174,081,000 in last year. The profit of this year was mainly due to increase in fair value of investment properties and properties held by the associated companies of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

Hong Kong Business

Property

The Group's residential properties situated at Red Hill Peninsula (33.33% owned) and South Horizons recorded average occupancy levels of approximately 60% and 100% respectively, while the commercial properties situated at Harbour Crystal Centre recorded an average occupancy level of approximately 82%. During the year, the Group's net rental income from property leasing was more or less the same when compared with that in the last year.



Mr. Dai Xiaoming
Chairman & Chief Executive



CHAIRMAN'S STATEMENT

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

REVIEW OF OPERATIONS (Cont'd)

Beijing Business

The Wangfujing Project

Lot F1 (61.1% owned)

As requested by the Beijing Municipal Bureau of Commerce on approving the sale and purchase agreement, on 8th February 2006, the Group's wholly-owned subsidiary Turbo Dragon Limited ("Turbo Dragon") entered into a sale and purchase supplemental agreement with China Yintai Investment Company Limited ("China Yintai"), which is supplemental to the sale and purchase agreement entered between Turbo Dragon and China Yintai on 30th July 2003 (collectively called "Sale and Purchase Agreement") and replaced the supplemental agreement entered between Turbo Dragon and China Yintai on 26th April 2004, the supplemental agreement (2) entered on 22nd June 2004, the supplemental agreement (3) entered on 30th April 2005, and the supplemental agreement entered on 21st November 2005. The Sale and Purchase Agreement stipulated that Turbo Dragon will sell its 61.1% interest in Beijing Lucky Building Company Limited ("Beijing Lucky") to China Yintai for a consideration of RMB134,070,000 (approximately HK\$128,913,000).

On 9th May 2004, Turbo Dragon received from China Yintai the deposit of RMB25,000,000 (approximately HK\$24,038,000). On 27th February 2006, China Yintai paid to Turbo Dragon the first instalment of RMB10,000,000 (approximately HK\$9,615,000). The remaining balance of the sale consideration of RMB99,070,000 (approximately HK\$95,260,000) will be received by the Group in four instalments before 6th February 2007. The Group's interest in Beijing Lucky will be transferred in proportion to the amount actually received from China Yintai.

Dan Yao Building (85% owned)

On 10th March 2005, the Second Intermediate People's Court of Beijing Municipality (the "PRC Court") has accepted the applications for the liquidation of Beijing Dan Yao Property Company Limited ("Dan Yao") made by the Company and Dan Yao. An announcement of which was made on 24th March 2005. By the end of September 2005 the PRC Court has completed the audit of the accounts and valuation of the assets of Dan Yao. Currently, the PRC Court is still examining the liquidation matter. The PRC Court has not yet made a decision on whether or not to grant an order for the liquidation of Dan Yao. It is expected that the PRC Court will make a decision on whether or not to grant an order for the liquidation of Dan Yao in the first half of the year 2006.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)**REVIEW OF OPERATIONS (Cont'd)****Beijing Business (Cont'd)***The Wangfujing Project (Cont'd)***Dan Yao Building (85% owned) (Cont'd)**

In 2005, the car park management system of the car park located underground, door facilities and air conditioning of Dan Yao Building were renovated and repaired.

After adjustment, the business operation of the shopping area of Dan Yao Building was steady. For the year ended 31st December 2005, rental income was RMB3,819,000 (approximately HK\$3,603,000), and the rental expenses (which does not include finance expense and irregular expenses) were RMB4,159,000 (approximately HK\$3,924,000).

Dan Yao Building will continue to adjust its operation strategy, including to improve the operation structure of the shopping center, to strengthen its management, to ensure the operations of the building are stable and to ensure the income and expenses are in balance.

The Xidan Project (29.4% owned)

During the year of 2005, the sales receivable of RMB50,000,000 (approximately HK\$48,077,000) from the sale of the building located at Lot No. 1 has been received whereas the remaining sales receivable of RMB37,504,000 (approximately HK\$36,062,000) has been applied to the court by the buyer for its decision because of the disputes over the sale areas; all the works for the building located at Lot No. 2 have been completed and the building ownership certificate is being arranged; regarding the sale of land located at Lot No. 4, the sales receivable of RMB955,000,000 (approximately HK\$918,269,000) has been received, but the sum of RMB125,000,000 (approximately HK\$120,192,000), which is entitled to receive in 2005 as specified in the sale and purchase agreement, has not yet been received; concerning the building located at Lot No. 5, the dispute between Beijing Jing Yuan Property Development Co., Ltd ("Jing Yuan") and Beijing Tai Yun Plaza Co., Ltd was resolved where the court ruled in favour of Jing Yuan, and that Jing Yuan's application for the building ownership certificate to be transferred to China United Telecommunication Corporation has been completed, and that the land certificate is still being arranged; regarding the building located at Lot No. 9, all construction works have been completed, but the checking and the adjustment of the supply of electricity by the electricity facilities has not yet been completed.



CHAIRMAN'S STATEMENT

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

REVIEW OF OPERATIONS (Cont'd)

Beijing Business (Cont'd)

The Wangfujing Project (Cont'd)

The Xidan Project (29.4% owned) (Cont'd)

In the year 2006, it is expected that the remaining balance of sales receivable from Lot No. 1 will be resolved according to the court decision; the building ownership certificate for Lot No. 2 will be arranged and that the transfer will be completed; the remaining sales receivable in sum of RMB215,000,000 (approximately HK\$206,731,000) from Lot No. 4 will be received in accordance with the sale and purchase agreement; the land certificate and the transfer to China United Telecommunication Corporation in respect of Lot No. 5 will also be completed, and that we will try to collect all the remaining sales receivable of RMB69,244,000 (approximately HK\$66,581,000); for Lot No. 9, all the remaining work will be completed and start to arrange for sale; for Lot No. 10, we will seek for a new business partner to start the project.

GROUP ASSETS POSITION AND CHARGE ON GROUP ASSETS

The total assets of the Group, as a result of the restatement of investment for sale of 61.1% equity interest in Beijing Lucky upon adoption of HKFRS 5 and a upward revaluation of investment properties, have increased from HK\$1,839,483,000 in last year to HK\$2,184,286,000 in this year. The net assets of the Group have also increased from HK\$1,495,387,000 to HK\$1,823,437,000. The amount of the Group's bank borrowings, on which the property assets are pledged, has decreased from HK\$98,935,000 in last year to HK\$89,689,000 in the current year.



CHAIRMAN'S STATEMENT

GROUP FINANCIAL POSITION, LIQUIDITY AND FINANCIAL RESOURCES

The total liabilities (including minority interests) of the Group have increased from HK\$344,096,000 as at 31st December 2004 to HK\$360,849,000 as at 31st December 2005. The Group had cash at banks and in hand of HK\$16,727,000 as at 31st December 2005 (2004: HK\$17,154,000). The ratio of total liabilities to total assets was approximately 16% (2004: 19%). As at 31st December 2005, Dan Yao due to the banks the sum of HK\$50,866,000 and the Group due to bank in Hong Kong an overdraft of HK\$38,823,000, making an aggregate amount of HK\$89,689,000 (2004: HK\$98,935,000) and the amount of total equity was HK\$1,823,437,000 (2004: HK\$1,495,387,000), and therefore the capital gearing ratio was 5% (2004: 7%). As from 1st September 2005, the Group's bank overdraft facilities in Hong Kong have been reduced from HK\$75,000,000 to HK\$45,000,000, of which HK\$38,823,000 has been utilised as at 31st December, 2005. Of the total borrowings of HK\$89,689,000 all are repayable on demand. As from 28th February 2006, the Group's bank overdraft facilities in Hong Kong have been further reduced to HK\$36,000,000. Due to the facts that the Group will receive the sale proceeds of Lucky Building of RMB99,070,000 (approximately HK\$95,260,000) and Dan Yao is in the process of the application of liquidation, the Group will have sufficient funds to repay the bank overdraft in Hong Kong.

As at 31st December 2005, the Group's current assets, amounting to HK\$740,094,000, exceeded its current liabilities by HK\$428,182,000. Given that Dan Yao has been in the application for liquidation as explained above and no further payments except for a small amount of liquidation expenses are required for Dan Yao, the other operations of the Group can generate sufficient cash flows to meet its requirements.

For the year ended 31st December 2005, the Group has no exposure to fluctuation in exchange rates and related hedges and there were no contingent liabilities.

EMPLOYEES

As at 31st December, 2005, the Group, excluding associated companies, employed 52 people of which 40 were employed in Hong Kong.

In addition to basic salaries and the provision of mandatory provident fund scheme, employees are provided with medical insurance and some of them are included under a defined contribution provident fund scheme.



CHAIRMAN'S STATEMENT

PROSPECTS

The Group will continue to adjust its business strategy in order to ascertain a stable transitional period. The Group will also build up the safety and liquidity of the funds. Meanwhile, the Group will follow the risk management procedures in finding investment opportunities. The Group will also upgrade and speed up the management capability, and at the same time to learn and to try to make use of how to use the small one to control the big one. In addition, the Group is trying to bring the Group's business into a communicable, global and highly technological structure for future business development.

The Group will continue to improve its cash flow position and will focus on a flexible business expansion when opportunities arise.

Finally, I would like to take this opportunity to express my sincere thanks to my fellow Directors for their guidance and support and to all members of the staff for their loyalty and dedication during the year.

Dai Xiaoming
Chairman

Hong Kong, 18th April, 2006

XIDAN AND WANGFUJING PROJECTS



Jing Yuen International Mansion erected on Lot No. 9 of the Xidan Project



Danyao building erected on Lot No. B3 of the Wangfujing Project



Harbour Crystal Centre,
Tsimshatsui East Kowloon



Harbour Industrial, Centre
Ap Lei Chau, Hong Kong



Oceanic Industrial Centre,
Ap Lei Chau, Hong Kong



The Red Hill, Tai Tam, Hong Kong