



REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report and the audited financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31st December 2005.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and the principal activities of the Group are property investment and development, estate management and investment holding.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December 2005 are set out in the consolidated profit and loss account on page 30.

An analysis of the performance of the Group for the year by business and geographical segments is set out in note 7 to the financial statements.

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 86.

DIVIDENDS

The Directors do not recommend the payment of a dividend.

SHARE CAPITAL AND RESERVES

Details of the share capital of the Company are set out in note 25 to the financial statements.

Movements in the reserves of the Group and the Company during the year are set out in note 26 to the financial statements.

PRINCIPAL PROPERTIES

Details of the major properties of the Group are set out on pages 84 to 85.

PROPERTIES, PLANT AND EQUIPMENT

Details of the movements in properties, plant and equipment during the year are set out in note 16 to the financial statements.

BANK LOANS AND OVERDRAFTS

Details of the bank loans and overdrafts of the Group as at 31st December 2005 are set out in note 29 to the financial statements.



REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the year and at the date of this report are:-

Mr DAI Xiaoming
Mr Kenneth Hiu King KON
Mr Jesse Nai Chau LEUNG*
Mr XIANG Bing*
Mr Edward SHEN*

* *Independent Non-executive Directors*

In accordance with Article 102 of the Articles of Association of the Company, Messrs. Dai Xiaoming and Edward Shen will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are 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 normal statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 12 to 13.

CONNECTED TRANSACTIONS

The Group has entered into the following connected and continuing connected transactions, which are disclosed in accordance with Chapter 14A of the Listing Rules:

- (a) Loans previously granted by Enfort Company Limited ("Enfort"), a wholly-owned subsidiary to Beijing Dan Yao Property Co. Ltd. ("Dan Yao"), a 85% owned subsidiary for the purpose of financing Dan Yao's working capital were subsequently assigned to its holding company, Dan Form Holdings Company Limited ("Dan Form"), on 30th April, 2003, since the loans were financed by Dan Form. The loans are unsecured, interest bearing at 6% per annum and repayable on demand. As at 31st December, 2005, the balance of the unpaid loan due by Dan Yao to Dan Form was HK\$51,455,000 (2004: HK\$51,455,000) and the interest payable by Dan Yao to Dan Form was HK\$12,658,000.



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CONNECTED TRANSACTIONS (Cont'd)

- (b) On 7th March, 2006, Man Lee Offshore Limited ("Man Lee") the purchaser, which is a wholly owned subsidiary of Dan Form, entered into two property pre-sale agreements with the seller Beijing Yintai Property Co., Ltd. ("Beijing Yintai") for the acquisition of two apartments located at 1802 and 1809, Block A, Yintai Centre, No. 4 Jianguomenwai Street, Chaoyang District, Beijing, PRC, at an aggregate consideration of RMB9,743,000 (approximately HK\$9,368,000), of which RMB4,947,000 (approximately HK\$4,757,000) was the consideration for Unit 1802 and RMB4,796,000 (approximately HK\$4,611,000) was the consideration for Unit 1809. Beijing Yintai is a 60% owned subsidiary of China Yintai Investment Company Limited ("China Yintai"), which is a substantial shareholder of Beijing Lucky, where 61.1% of the equity interest in Beijing Lucky will be transferred by Turbo Dragon Limited (being a wholly owned subsidiary of Dan Form (China) Limited, which is a wholly owned subsidiary of Dan Form) to China Yintai in stages in proportion to the amount of consideration actually received.

The independent non-executive directors of the Company have reviewed the continuing connected transaction relating to item (a) as stated above pursuant to rule 14A.37 of the Listing Rules and confirmed that the transaction has been entered into:

- (1) in the ordinary and usual course of business of the Group;
- (2) on normal commercial terms; and
- (3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have reviewed the continuing connected transaction relating to item (a) pursuant to rule 14A.38 of the Listing Rules and advised the board of directors that:

- (1) the transaction has received the approval of the board of directors of the Company;
- (2) the transaction has been entered into in accordance with the relevant agreements governing the transaction; and
- (3) the transaction showed that, as recorded in the accounting records of the Group, the loan and interest receivable from Dan Yao were HK\$51,455,000 and HK\$12,658,000, respectively.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party, and in which any Director or controlling shareholder had a material interest, whether directly or indirectly subsisted at the end of the year or at any time during the year.



REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATES

As at 31st December 2005, the interests and short positions of the each Director, Chief Executive and their respective associates 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 (the "SFO")) which require notification pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is taken or deemed to have under such provisions of the SFO), or which are required to be entered into the register maintained by the Company under Section 352 of the Part XV of the SFO, or which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"):

1. Aggregate long position in the shares, underlying shares and debentures of the Company and its associated corporations

Name of Director	Personal Interest	Number of ordinary shares			Total Interest
		Family Interest	Corporate Interest	Other Interest	
DAI Xiaoming (Note)	23,000,000	—	388,720,881	—	411,720,881

Note: Being the ultimate beneficial owner of shares representing 95% of the issued share capital of Dan Form International Limited ("DFIL"), the ultimate holding company of Fabulous Investments Limited ("Fabulous"), Mr. Dai Xiaoming ("Mr. Dai") is deemed to be interested in the 2,660,000 and 386,060,881 ordinary shares in the Company beneficially held by DFIL and Fabulous respectively.

Save as disclosed above, none of the Chief Executive, Directors or their respective associates had any interests or short positions, whether beneficial or non-beneficial, in the shares, underlying shares and debentures of the Company or any of its associated corporations 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.

2. Aggregate short position in the shares, underlying shares and debentures of the Company and its associated corporations

None of the Chief Executive, Directors or their respective associates had short positions in respect of shares, underlying shares or debentures of the Company or any of its associated corporations.

At no time during the year was the Company, its subsidiaries, its associates its fellow subsidiaries or its holding companies a party to any arrangements to enable the Chief Executive or Directors 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 Chief Executive, Directors or 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.



REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

1. Aggregate long position in the shares and underlying shares of the Company

As at 31st December 2005, so far as is known to the Chief Executive and Directors of the Company, the interests of the substantial shareholders, being 5% or more of the Company's issued share capital, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Note	Number of ordinary shares held	Percentage of the issued share capital of the Company
DAI Xiaoming	(1)	411,720,881	36.26
Harlesden Limited	(2)	388,720,881	34.23
DFIL	(2)	388,720,881	34.23
Value Plus Holdings Limited	(2)	386,060,881	34.00
Fathom Limited	(2)	386,060,881	34.00
Fabulous	(2)	386,060,881	34.00
Nina KUNG	(3)	261,808,697	23.05
Greenwood International Limited	(3)	245,094,197	21.58
China National Foreign Trade Transportation (Group) Corporation	(4)	94,836,971	8.35
Focus-Asia Holdings Limited	(4)	94,836,971	8.35

Notes:

- (1) Mr. Dai was beneficially interested in a total of 411,720,881 ordinary shares in the Company, including the interests held through various companies under his control (see note (2) below). These interests are the same as those disclosed under "Directors' and Chief Executives' interests and short positions in shares, underlying shares and debentures of the Company or any associated corporation" above.
- (2) By virtue of SFO, Harlesden Limited, DFIL, Value Plus Holdings Limited and Fathom Limited, being holding companies of Fabulous, are deemed to be interested in the 386,060,881 ordinary shares in the Company beneficially held by Fabulous. Harlesden Limited, being the holding company of DFIL, is also deemed to be interested in the 2,660,000 ordinary shares in the Company beneficially held by DFIL. Mr. Dai has a controlling interest in each of the aforesaid companies.
- (3) Greenwood International Limited ("Greenwood") was beneficially interested in approximately 21.58% of the issued share capital of the Company. Ms. Nina Kung (Mrs. Nina T.H. Wang) was beneficially interested in a total of 261,808,697 ordinary shares in the Company, through shareholdings in companies (including Greenwood) controlled by her, representing approximately 23.05% of the issued share capital of the Company.
- (4) Focus-Asia Holdings Limited ("Focus-Asia") was beneficially interested in a total of 94,836,971 ordinary shares in the Company. China National Foreign Trade Transportation (Group) Corporation, being holding company of Focus-Asia, is deemed to be interested in the 94,836,971 ordinary shares in the Company beneficially held by Focus-Asia.



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SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (Cont'd)

2. Aggregate short position in the shares and underlying shares of the Company

As at 31st December, 2005, the Company had not been notified of any short position being held by any substantial equity holders or other persons in the shares or underlying shares of the Company.

Save as disclosed above, as at 31st December 2005, the Company has not been notified of any interest or short position in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept under Section 336 of the SFO.

ADVANCE TO AN ENTITY

In accordance with Rule 13.20 of the Listing Rules, the Directors of the Company reported on details of the advance made by the Group for the benefit of the following entity as at 31st December, 2005, which exceeded 8% of the total assets of the Group as at 31st December, 2005 as follows:

Name of entity	Date of advance	Percentage of equity held by the Group	Remaining amount of the advance HK\$'000
Zeta Estates Limited ("Zeta")	1st July, 1998	33 $\frac{1}{3}$ %	268,960

Note:

The advance is unsecured, interest-free as from 1st January, 2004 and has no fixed terms of repayment. Repayment of the advance is made by Zeta on a monthly basis.



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PROFORMA COMBINED BALANCE SHEET OF FINANCIAL ASSISTANCE TO AFFILIATED COMPANIES

In accordance to Rule 13.16 of the Listing Rules, the Proforma combined balance sheet of financial assistance to the affiliated companies of the Group and the interest attributable to the Group as at 31st December 2005 (the latest practicable date) are as follows:

Description	Combined Total HK\$'000	Interest attributable to the Group HK\$'000
Investment properties	3,536,842	1,178,947
Properties under development for sale	481,209	141,475
Properties, plant and equipment	4,136	1,216
Long-term receivables	32,107	9,464
Current assets	373,798	111,750
Current liabilities	(944,217)	(311,295)
Non-current liabilities	(755,949)	(222,248)
Net assets	<u>2,727,926</u>	<u>909,309</u>

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The turnover attributable to the largest and the five largest customers accounted for 15% and 44% respectively of the total turnover of the Group for the year.

Purchases attributable to the largest and the five largest suppliers accounted for 42% and 77% respectively of the total purchases of the Group for the year.

None of the Directors, their associates or those shareholders who, to the knowledge of the Directors, own more than 5% of the Company's share capital, had interest in any of the five largest customers or suppliers.



REPORT OF THE DIRECTORS

AUDIT COMMITTEE

The Company established an Audit Committee on 15th September 1998. The terms of reference of the Audit Committee have been established with reference to “A Guide for the Effective Audit Committees” issued by the Hong Kong Institute of Certified Public Accountants in February 2002. The Audit Committee comprises of three independent non-executive Directors, Mr. Jesse Nai Chau Leung, Mr. Xiang Bing and Mr. Edward Shen. During the year, the Audit Committee held two meetings on 11th April 2005 and 12th September 2005 in which they have discussed the financial reporting matters with management, including the review of the Group’s financial reporting process, the adequacy and effectiveness of the Group’s systems of internal control, and the interim and annual financial statements of the Group.

The Group’s annual results for the year ended 31st December 2005 have been reviewed by the Audit Committee.

CORPORATE GOVERNANCE

The Company’s corporate governance report are set out on pages 14 to 19 of this Annual Report.

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

DAI XIAOMING

Chairman

Hong Kong, 18th April 2006