

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 subsidiaries are principally engaged in property development in the People's Republic of China (the "PRC").

The principal activities of the Company's subsidiaries and co-operative joint venture are set out in note 35 to the financial statements.

RESULTS

The results of the Group for the year ended 31 December 2005 are set out in the consolidated income statement on page 27.

A final dividend of HK\$1.0 cent per share being proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting. The dividend declared in respect of the year is set out in note 28 of the financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 27 to the financial statements.

RESERVES

Movements in the reserves of the Group during the year are set out on page 30 of this annual report.

INVESTMENT PROPERTIES

Details of the movements in investment properties of the Group during the year are set out in note 15 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred approximately HK\$2,686,000 in respect of acquisition of property, plant and equipment. Details of the movements in property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

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DIRECTORS AND SERVICE CONTRACTS

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

Executive directors:

So Pang Gen (*Chairman and Managing Director*)

Lam Hon Keung, Keith (*Deputy Chairman*)

Choi Dun Woo

Su Bangyuan

Independent non-executive directors:

Hui Yip Wing, David

Kee Wah Sze

Ku Siu Fung, Stephen

In accordance with Clause 99 of the Company's Bye-laws, Messrs. Choi Dun Woo and Su Bangyuan retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The four executive directors have each entered into a service contract with the Company for an initial term of two years commencing on 4 June 2002 which will continue thereafter until terminated by either party with not less than 3 months' prior notice in writing or by payment of 3 months' salary in lieu of such notice.

The term of office for each non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

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DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2005, the interests of the directors and their associates in the ordinary shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise 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 Companies, were as follows:

Long position in ordinary shares of HK\$0.10 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. So Pang Gen	Held by discretionary trust*	182,470,000	62.36%

* These shares are held by International Offshore Development Limited, a company incorporated in the British Virgin Islands. Chance Fair International Development Limited ("Chance Fair International"), a company incorporated in Hong Kong, is the beneficial owner of the entire issued share capital of International Offshore Development Limited. Future Opportunity Limited, a company incorporated in the British Virgin Islands, is the beneficial owner of the entire issued share capital of Chance Fair International. Trustcorp Limited, a company incorporated in the Island of Jersey, Channel Islands which holds all the issued share capital of Future Opportunity Limited as trustee under a discretionary trust, the discretionary trust objects of which include the family members of Mr. So Pang Gen.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2005.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Particulars of the Company's share option scheme are set out in note 29 to the financial statements.

2,480,000 shares options were granted to the directors on 27 September 2005. No options were exercised by the directors during the year. There were 2,480,000 outstanding shares options granted to the directors at the end of the year.

The total number of shares available for issue under the Company's share option scheme as the date of this report is 4,050,000, representing approximately 1.4% of the issued share capital of the Company as at that date.

Other than as disclosed above, at no time during the year was the Company, its holding company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the directors nor chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

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EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up on the basis of their merit, qualifications and competence.

A remuneration committee is set up for reviewing the emolument policy and structure for all remuneration of the executive directors of the Company, having regard to the Group's operating results, duties and responsibilities, and individual performance. The fee for the independent non-executive directors was determined and approved by the board with reference to their duties and responsibilities with the Company. The remunerations of all directors will be reviewed on an annual basis. The Company has adopted the Scheme as incentive to directors and eligible employees, details of the Scheme are set out in note 29 to the financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of SFO shows that the director and his associated corporations stated under the paragraph headed "Directors' interests in securities" is the only substantial shareholder of the Company.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2005.

CONNECTED TRANSACTIONS

During the year, the Group had the following significant transactions with a connected party:

HK\$'000

Rental paid to Chance Fair International (<i>Note</i>)	382
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Note: The Group entered into a sub-tenancy agreement with Chance Fair International, an intermediate holding company pursuant to which Chance Fair International agreed to sub-lease a portion of the office premises to the Group for a term commencing from 22 May 2004 to 21 May 2005 (both dates inclusive), which was further renewed from 22 May 2005 to 21 May 2006 (both dates inclusive) at a monthly rental of approximately HK\$32,000 exclusive of other charges.

The directors are of the opinion that the above transactions were carried out in the ordinary course of the Group's business.

Save as disclosed above, there were no other significant transactions which need to be disclosed as connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

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DIRECTORS' INTERESTS IN CONTRACTS

During the year, the Group paid rental fee of HK\$382,000 to Chance Fair International in which Mr. So Pang Gen has a beneficial interest.

No other contract of significance, to which the Company or any of its holding companies or subsidiaries was a party and in which a director of the Company 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, the aggregate sales attributable to the Group's five largest customers were less than 50% of the Group's total sales.

The aggregate purchases during the year attributable to the Group's five largest suppliers comprised approximately 56% of the Group's total purchases while the purchases attributable to the Group's largest supplier was approximately 20% of the Group's total purchases.

None of the directors, their associates or any shareholder, which to the knowledge of the directors owned more than 5% of the Company's issued share capital, had any interest in the share capital of any of the five largest customers or suppliers of the Group.

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

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

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

The Company complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2005.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Rules Governing the Listing of Securities of the Stock Exchange (the "Model Code"). Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code/the required standard of dealing and the code of conduct regarding securities transactions by directors adopted by the Company.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on the Stock Exchange. The Company considers all of the independent non-executive directors are independent.

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PUBLIC FLOAT

Based on the public available information and to the best knowledge of the directors of the Company, the Company has maintained a sufficient public float throughout the year ended 31 December 2005 as required under the Listing Rules.

AUDITORS

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

SO PANG GEN

Chairman and Managing Director

Hong Kong, 26 April 2006