

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31st December, 2005.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 35 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2005 are set out in the consolidated income statement on page 22.

An interim dividend of HK3.5 cents per share amounting to HK\$7,675,000 was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK6 cents per share to the shareholders on the register of members of the Company on 1st June, 2006, amounting to HK\$13,158,000, and the retention of the remaining profit for the year of HK\$102,244,000. Including the interim dividend, dividends for the year will amount to a total of HK9.5 cent per share.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 29th May, 2006 to 1st June, 2006, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and attending and voting at the 2006 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 26th May, 2006.

INVESTMENT PROPERTIES

The Group's investment properties at 31st December, 2005 were revalued by an independent firm of professional property valuers on an open market value basis. Details of movements in the investment properties of the Group during the year are set out in note 16 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent capital expenditure of approximately HK\$63,508,000 on addition of property, plant and equipment for the expansion of property agency services throughout the People's Republic of China.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 17 to the financial statements.

SHARE CAPITAL

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

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DISTRIBUTABLE RESERVES OF THE COMPANY

At 31st December, 2005, the Company's reserves available for distribution amounted to HK\$203,729,000, consisted of share premium of HK\$147,341,000, contributed surplus of HK\$67,385,000 and accumulated losses of HK\$10,997,000.

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution or dividend the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Article of Association, dividends shall be distributed out of the retained profits or other reserves, including the share premium account, of the Company.

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

The Company has not redeemed any of its share, and neither the Company nor any of its subsidiaries purchase, sold or redeemed any of the Company's listed shares during the year ended 31st December, 2005.

DIRECTORS

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

Executive directors

Mr. Fu Wai Chung (*Chairman*)

Ms. Ng Wan

Ms. Fu Man

Mr. Lo Yat Fung

Independent non-executive directors

Mr. Lam King Pui

Mr. Ng Keung

Mrs. Wong Law Kwai Wah, Karen (appointed on 30th June, 2005)

Mr. Tsao Kwong Yung, Peter (deceased on 5th June, 2005)

In accordance with the provisions of the Company's Articles of Association, Mr. Lo Yat Fung retire by rotation and, being eligible, offer himself for re-election.

In accordance with Article 86(3), Mrs. Wong Law Kwai Wah, Karen who was appointed in 2005 would retire and being eligible, offer herself for re-election.

The term of office of each independent non-executive director is the period from the date of appointment up to his retirement by rotation as required by the provisions of the Company's Articles of Association.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors of the Company proposed for re-election at the forthcoming annual general meeting has entered into a service contract with the Company for a duration of three years commencing from 1st April, 2004 and will continue thereafter until terminated by either party giving to the other not less than three months' advance written notice of termination.

Other than as disclosed above, none of the directors of the Company proposed for re-election at the forthcoming annual general meeting has a contract of service with the Company or any of its subsidiaries not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

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

At 31st December, 2005, the interests and short position of the directors, the chief executive and their associates in the shares, underlying shares and convertible bonds 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 (the "Model Code") were as follows:

(i) Ordinary share of HK\$0.01 each in the Company

Name of directors	Name of interest	Number of shares interested	Percentage of shareholding
Mr. Fu Wai Chung ("Mr. Fu")	Corporation (Note)	94,264,000 (Note)	42.98%

Note: These 94,264,000 shares are registered in the name of Fu's Family Limited which is held as to 70% by Mr. Fu, 15% by Ms. Ng Wan (Mr. Fu's wife) and the remaining 15% by Ms. Fu Man.

All interests in shares stated above represent long position.

In addition to the interests disclosed herein, Mr. Fu also has non-beneficial personal equity interests in certain subsidiaries of the Company all held in trust solely for the purpose of complying with the previous statutory minimum shareholders requirement in Hong Kong.

(ii) Ordinary shares of US\$1.00 each in Fu's Family Limited, the associated corporation of the Company

Name of director	Number of shares interest	Percentage of shareholding
Fu Wai Chung	70	70%

Save as disclosed above, as at 31st December, 2005, none of the Directors and chief executive of the Company had or were deemed to have any interest or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which has been notified to the Company pursuant to the Model Code of the Listing Rules.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 32 to the financial statements.

During the year, no options were granted, exercised, lapsed or cancelled.

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RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Pursuant to the written resolutions passed by the then shareholders on 24th June, 2004, the Company had adopted a share options scheme (the "Scheme"). Under the Scheme, the directors of the Company may, at their discretion, invite full-time or part-time employee of the Company or any member of the Group, including any executive, non-executive and independent non-executive directors, advisors and consultants of the Group to take up options to subscribe for shares in the Company representing up to a maximum of 10% of the shares in issue as at the date of commencement of listing of shares of the Company on the Stock Exchange and subject to renewal with shareholders' approval.

Up to the date hereof, no share options were granted pursuant to the Scheme.

Other than as disclosed above, at no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the directors and chief executives of the Company or their associates to acquire benefits by means of the acquisition of share in, or debt securities including debentures, of the Company or any other body corporate.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the 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.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of directors' interests in contracts of significance are set out in note 34 to the financial statements.

Other than as disclosed in note 34 to the financial statements, no other contracts of significance to which the Company or its 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.

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

As at 31st December, 2005, the interests or short positions of the substantial shareholders in the shares or underlying shares of the Company which have been disclosed to the Company pursuant to Division 2 and 3 of Part XV of the SFO have been recorded in the register kept by the Company pursuant to section 336 of the SFO:

Name	Number of shares interested	Percentage of shareholding
Fu's Family Limited (Note 1)	94,264,000	42.98%
Mr. Fu (Note 2)	94,264,000	42.98%
Elm Vale Ltd	12,895,000	5.88%
Pan Asia Special Opportunities Fund (Cayman) (Note 3)	12,895,000	5.88%
Value Partners Limited (Note 4)	23,738,000	10.82%
Cheah Cheng Hye (Note 5)	23,738,000	10.82%

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

Notes:

1. These 94,264,000 shares are registered in the name of Fu's Family Limited, the entire issued share capital of which is held as to 70% by Mr. Fu, 15% by Ms. Ng Wan and 15% by Ms. Fu Man. Under the SFO, Mr. Fu is deemed to be interested in all the shares registered in the name of Fu's Family Limited.
2. Under the SFO, Mr. Fu is deemed to be interested in the shares held by Fu's Family Limited.
3. The entire issued share capital of Elm Vale Ltd. is held by Pan Asia Special Opportunities Fund (Cayman).
4. The shares are held by the funds under management by Value Partners Limited in its capacity as an investment manager.
5. Mr. Cheah Cheng Hye is deemed to be interested in the shares through his 32.77% interest in Value Partners Limited.

All the interests in shares stated above represent long position.

Save as disclosed above, as at 31st December, 2005, the Company had not been notified of any person's interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under section 336 of Part XV of the SFO.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2005 with the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rule") with certain deviations. For detail discussion, please refer to the Corporate Governance Report of this Annual Report.

EMOLUMENT POLICY

The Group remunerates its employees based on their performance, experience and prevailing market rate. Other employee benefits included insurance and medical cover, subsidised training programme as well as share option scheme.

The determination of emoluments of the directors of the Company had taken into consideration their expertise and job specifications.

PRE-EMPTIVE RIGHTS

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

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MAJOR CUSTOMERS

The aggregate turnover attributable to the Group's five largest customers accounted for less than 20% of the Group's total turnover for the year.

None of the directors, their associates, or any shareholder has any interest in the Group's five largest customers.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient float in the period between its listing date and 31st December, 2005.

JOINT AUDITORS

The financial statements were audited by Messrs. Deloitte Touche Tohmatsu and Zhong Yi (Hong Kong) C.P.A. Company Limited.

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

On behalf of the Board

Fu Wai Chung

Chairman

Hong Kong, 19th April, 2006