Chairman's Report

Dear shareholders,

I am pleased to present the Annual Report of the Company for the year ended 31st December, 2005.

FINANCIAL RESULTS

For the year ended 31st December, 2005, the Group achieved an audited consolidated profit attributable to shareholders of HK$270.9 million, as compared with the corresponding figure of HK$419.2 million (as restated) attained in the 2004 financial year.

Due to the adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), as further explained in the section headed "Impact arising from the adoption of new and revised HKFRSs" below, the audited consolidated profit attributable to shareholders for the 2004 financial year has been restated from HK$802.6 million, as previously announced, to HK$419.2 million. The restated profit as recorded for the prior year was principally the result of a combination of adjustments including the reversal of the write-back of deficit on revaluation of hotel properties owned by Regal Hotels International Holdings Limited in the amount of HK$810.9 million and the recognition of an additional Gain on Debt Restructuring of HK$319.8 million relating to the Series A Convertible Preference Shares issued as part of the Debt Restructuring completed in 2004.

DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK0.05 cent per ordinary share for the year ended 31st December, 2005 (2004 – nil), absorbing a total amount of approximately HK$8.2 million, payable to holders of ordinary shares on the Register of Ordinary Shareholders on 16th June, 2006. No interim dividend was paid for the year ended 31st December, 2005 (2004 – nil).

CLOSURE OF REGISTER

The Register of Ordinary Shareholders will be closed from Tuesday, 13th June, 2006 to Friday, 16th June, 2006, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for the proposed final dividend, all transfers of ordinary shares and/or subscriptions of the outstanding 2011 warrants, duly accompanied by the relevant certificates together with, where appropriate, the relevant subscription moneys, must be lodged with the Company's branch registrar in Hong Kong, Tengis Limited, no later than 4:00 p.m. on Monday, 12th June, 2006. The relevant dividend warrants are expected to be despatched on or about 30th June, 2006.

IMPACT ARISING FROM THE ADOPTION OF NEW AND REVISED HKFRSs

In the preparation of the Group's audited financial statements for the year ended 31st December, 2005, the Group has adopted a number of new and revised HKFRSs, which are applicable for accounting periods beginning from 1st January, 2005 and, accordingly, relevant comparative figures for 2004 or opening adjustments for 2005, where applicable, have been restated or made.

More importantly, it should be noted that prior to 1st January, 2005, it was the policy of Regal (which, through the Group's majority shareholding in Paliburg Holdings Limited, was treated as a subsidiary of the Group until 31st July, 2004) to state the value of its owned and operated hotel properties at their open market valuations, which were appraised annually and not depreciated. Upon the adoption by Regal of the new and revised HKFRSs, Regal's five hotel properties in Hong Kong are now stated at cost less accumulated depreciation and amortisation in the audited financial statements. Consequently, adjustments have been made retrospectively to the interests of the Group held in Regal to reflect the fair value of Regal's hotel properties in 1993 when Paliburg group initially acquired Regal as a subsidiary and hence the write-back of deficit on revaluation of hotel properties owned by Regal in the amount of HK$810.9 million recognised in the 2004 financial year was reversed.

In order to more fairly reflect the underlying net asset value of the Group and for the purposes of reference and ease of comparison, supplementary information on the Group's net assets position, compiled on a proforma basis that Regal were to continue to state its five hotel properties in Hong Kong based on their professional open market valuations as at 31st December, 2005, is provided in the section headed "Management Discussion and Analysis" on pages 26 to 30 in this Annual Report.

Other impact on the Group's audited financial statements under review arising from the adoption of the new and revised HKFRSs, including that relating to the Series A Convertible Preference Shares, are also set out in the Notes to Consolidated Financial Statements.

REVIEW OF OPERATIONS

With a view to raising additional working capital funds to the Group and to expanding the Group's capital base, the Group entered into a conditional subscription agreement with certain independent third parties on 28th November, 2005 in relation to the proposed issue of Zero Coupon Guaranteed Convertible Bonds due 2010 up to an aggregate principal amount of HK$240 million, comprising Firm Bonds in an aggregate principal amount of HK$80 million and Optional Bonds in an aggregate principal amount of HK$160 million. Pursuant to terms of the subscription agreement, the Bonds will be convertible into new ordinary shares of the Company at an initial conversion price of HK$0.10 per ordinary share (subject to adjustments) and guaranteed by the Company.

As the issue of the Bonds would have a potential dilutive effect on the interests of shareholders in the Company, and with a view to providing to shareholders an opportunity to maintain, to a certain extent, their shareholding interests in the Company after the issue of the Bonds, the Company also announced at the same time a proposal for the Bonus Issue of Warrants to shareholders on the basis of one Warrant for every five ordinary shares of the Company held. The initial subscription price of the Warrants of HK$0.10 per ordinary share is equivalent to the initial conversion price of the Bonds and the subscription price is subject to substantially the same adjustments as those applicable to the conversion price of the Bonds.

Further information on the issue of the Bonds and the Bonus Issue of Warrants was contained in the circular of the Company dated 20th December, 2005 despatched to shareholders.

The Subscription Agreement was subsequently completed on 9th December, 2005 and Firm Bonds in an aggregate principal amount of HK$80 million were issued. Part of the proceeds received from the issue of the Firm Bonds in an amount of approximately HK$63 million has been applied towards the redemption of all the then outstanding Series A Convertible Preference Shares at the pre-agreed price of HK$0.0165 each and the balance retained as general working capital.

At the Special General Meeting of the Company held on 6th January, 2006, the shareholders of the Company duly approved, among other things, the conversion rights to be attached to the Bonds as well as the proposal regarding the Bonus Issue of Warrants. Accordingly, Warrants carrying aggregate subscription rights of approximately HK$328.3 million were issued in January 2006, which entitle their holders to subscribe for new ordinary shares of the Company at any time up to 11th January, 2011 at an initial subscription price of HK$0.10 per ordinary share (subject to adjustments). If all such Warrants are fully subscribed, additional equity proceeds in an aggregate amount of approximately HK$328.3 million will be brought to the Company.

As at 31st December, 2005, the Group held 54.7% shareholding interests in Paliburg which, in turn, held 46.0% interests in the ordinary shares of Regal and certain outstanding warrants and convertible preference shares of Regal.

Both Paliburg and Regal have attained satisfactory results in the 2005 financial year and their operating highlights during the year as well as their business outlook are set out below.

PALIBURG HOLDINGS LIMITED

For the year ended 31st December, 2005, Paliburg achieved an audited consolidated profit attributable to shareholders of HK$517.5 million, as compared with the loss of HK$31.3 million (as restated) recorded for the 2004 financial year.

PROPERTIES

Hong Kong

Ap Lei Chau Inland Lot No.129,
Ap Lei Chau East

The Paliburg group has a 30% retained interest in this joint venture development project. The lease modification terms for this development project had already been agreed with the government and the requisite land premium was fully paid in November 2005. Under the terms of the joint venture, all funding required for the development project will be procured by the other joint venture partners. The proposed development entails primarily residential accommodation together with ancillary retail areas having total gross floor area of about 913,000 square feet and complemented with recreational and carparking facilities. Site formation works have already commenced.

211 Johnston Road,
Wanchai

The Paliburg group owns all the office floors with total gross floor area of about 60,900 square feet and certain ground floor shops with total gross floor area of about 2,200 square feet at this office/commercial building previously developed by the Paliburg group. All the ground floor shops and over 90% of the units in the office floors are now under leases at satisfactory rentals.

Rainbow Lodge,
9 Ping Shan Lane,
Yuen Long, New Territories

This development project was completed in 2004 and has a total of 16 duplex units with aggregate gross area of 30,800 square feet with ancillary car parking facilities. The Paliburg group still retains a majority of the duplex units, which will be released for sale when overall market activities revive.

The People's Republic of China

Development Project in the Central Business District of Beijing

On 8th July, 2005, the Paliburg group entered into a Sale and Purchase Agreement with the Regal group for the sale of a 50% equity interest in Hang Fok Properties Limited at a consideration of HK$145 million. Hang Fok is principally engaged, through two investee companies established in the PRC, in the development of a property project at Chao Yang Men Wai Da Jie in the Central Business District of Beijing, planned to comprise office, residential, hotel, commercial and carparking accommodations with a total permissible gross floor area of about 4,630,000 square feet. The agreement was completed on the same date and the consideration was satisfied by an interest bearing promissory note issued by the Regal group. The Regal group has been given the right to terminate or rescind the agreement if any of the investee companies is not able to secure the acquisition of the land use right of the subject development site with total permissible gross floor area of not less than 430,000 square meters at a consideration of not more than RMB580 million by way of a bilateral agreement to be entered into on a private treaty basis, subject to any adjustment mutually acceptable if the total gross floor area and/or the permitted use of which has been altered, unless otherwise waived by the Regal group. Further information on this transaction is contained in the joint announcement made by the Company dated 8th July, 2005.

In February 2006, one of the investee companies (which are currently 59% owned joint venture companies of Hang Fok) has formally entered into Land Grant Contracts with the Beijing Municipal Administration of State Land and Resources in respect of certain portions of the original development site with total permissible gross floor area of 280,833 square meters encompassing office, commercial and residential uses at a total consideration of approximately RMB390.5 million. The investee companies are continuing with their efforts with a view to further securing their rights to the remaining portion of the original development site.

Having considered, among other things, the entitlements of the land use rights granted to the investee companies under the Land Grant Contracts and the favourable market environment currently prevailing in Beijing, the Regal group has determined to continue with its investment in Hang Fok and agreed to accept the condition subsequent as fulfilled or otherwise as waived on 3rd April, 2006.

The consideration payable under the Land Grant Contracts is expected to be fully settled before the end of April 2006. While the detailed development plans for this project are being finalised, it is anticipated that the overall development scheme will comprise office, commercial, residential and carparking accommodations, to be complemented with a deluxe hotel. The land portions granted under the Land Grant Contracts are substantially vacant sites and in view of the Beijing Olympics to be held in August 2008, the joint venture parties are planning to proceed with the development of these land portions as the first phase of the project as soon as practicable.

As the outstanding issues relating to the granting of land use rights pertaining to the subject development site have now been satisfactorily resolved, the fundamental uncertainty over the Paliburg group's investments in the two investee companies contained in the Report of the Auditors in prior years has been duly removed. Having considered the current valuation of the Group's interest in the development site, appropriate write-back of the provisions for impairment has been made in respect of such investments in the audited financial statements for the year under review.

Other Investments

The Paliburg group recently resolved with the purchaser who defaulted on the agreement entered into by the Paliburg group in July 2003 with respect to the sale of the Paliburg group's entire joint venture interest in the development project at Gong Ren Ti Yu Chang Street East, Chao Yang District, Beijing and the sale transaction is expected to be formally completed shortly.

With a view to rationalise its investment portfolio so as to focus primarily on core projects and assets, the Paliburg group has substantially disposed of most of the remaining minor investments in the PRC.

CONSTRUCTION AND BUILDING RELATED BUSINESSES

Construction Business

The construction business of the Paliburg group is operated through Chatwin Engineering Limited, which is a wholly owned subsidiary of the Paliburg group. The business operations of Chatwin have further improved in the year under review and have generated increased profits. With the gradual recovery of the construction industry in Hong Kong, Chatwin is actively seeking to expand its businesses in both the private as well as the public sectors.

Building Related Business

The Paliburg group also operates a comprehensive range of other building related businesses including development consultancy comprising architectural, engineering and interior design services, as well as project management, building services and estate management. These operating divisions have been providing professional support and services to most of the in-group projects as well as third party clients.

The Paliburg group's technology-based building related businesses are undertaken by the Leading Technology group, which is wholly owned by the Paliburg group. While competition in this business segment remains intense, the businesses of the Leading Technology group continue to progress steadily.

REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

For the year ended 31st December, 2005, Regal achieved an audited consolidated profit attributable to shareholders of HK$528.4 million, representing an increase of 43.6% over the corresponding figure of HK$367.9 million (as restated) attained in the 2004 financial year.

HOTELS

Hong Kong

During the year under review, the combined average room occupancy for the five Regal Hotels in Hong Kong was maintained at 81.6%, as compared with 83.9% in 2004, and if the Regal Airport Hotel was excluded, the combined average room occupancy for the other four Regal Hotels in Hong Kong would be 89.2%, maintaining very much the same level as that in 2004. In terms of the combined average achieved room rate for the five Regal Hotels as a whole, an increase of 13.5% was attained over that in 2004. Through increased marketing efforts, the other four Regal Hotels in Hong Kong were able to achieve an average occupancy level comparatively higher than the market average, even though there were some temporary disruptions in their business operations caused by the renovation programmes undertaken at the hotels. The Regal Airport Hotel is still catching up on its occupancy level on account of its relatively large number of room count and its unique market position and location. With gross operating profit margin maintained at over 46%, the five hotels together generated total operating profits (including hotel net rental income) of just over HK$500 million, representing an increase of more than 16% over that attained in 2004.

The Regal Airport Hotel has been rated "The Best Airport Hotel Asia-Pacific" by TTG Asia in 2005 and by Business Traveller Asia-Pacific for five consecutive years since 2001. To cater to the rising demand in meeting and conference businesses, a sizable meeting and conference center comprising 13 new meeting rooms together with other ancillary facilities including a spa center are being added to this hotel.

To enhance the image and market recognition of the Regal brand, various upgrading and refurbishment works have been planned for the other four Regal Hotels in Hong Kong. These works are being implemented in stages, with the renovation of the hotel lobbies and food and beverage outlets as well as some of the guest rooms at the Regal Kowloon Hotel and the Regal Riverside Hotel having been substantially completed recently.

In order to maximise the utilisation of its hotel properties, the Regal group has started to embark on an asset enhancement programme which essentially entails the addition of a total of about 460 rooms to four Regal Hotels in Hong Kong (other than the Regal Kowloon Hotel), involving estimated total construction costs of about HK$250 million. Certain parts of the asset enhancement programme have already been commenced and the entire programme is scheduled to be completed in stages from the fourth quarter of 2006 to the first half of 2008.

Macau

In the announcement released by Regal dated 6th September, 2005, Regal announced certain plans with respect to a hotel development project in Cotai, Macau. In light of the apparent flurry of new hotel projects being developed in Macau, with the corresponding dramatic increase in related construction costs and the concern over the potential oversupply of hotel rooms at least in the near term, Regal has been carefully reconsidering the overall investment proposal and its merits. Predicating on a cautious approach, the Regal group has henceforth not been pursuing the project actively pending further review in due course.

The People's Republic of China

The two hotels in Shanghai managed by the Regal group contributed increased management fee income during the year. In view of the buoyant economic outlook in China, the Regal group has plans to extend the Regal Hotels' network to certain key Mainland cities and is working actively on a number of proposals involving hotel investments, leasing and/or management opportunities.

PROPERTIES

Hong Kong

Regalia Bay, Stanley

For the year under review, the Regalia Bay contributed to the Regal group a profit of HK$128.5 million, inclusive of write back of provision. There are 38 houses with a total gross area of about 174,000 square feet remaining unsold, which are mostly of larger sizes and/or on better locations in the development. The Regal group plans to release these remaining houses for sale in stages when market activities revive.

The People's Republic of China

Development Project in the Central Business District of Beijing

As referred to above, the Regal group is now participating in this development project with the Paliburg group as a 50% joint venture partner in Hang Fok.

OUTLOOK

Regal group

With the concerted efforts of the tourist industry working closely with the Hong Kong Government in the promotion of Hong Kong as a major international business and tourism hub, coupled with the positive outlook on economic growth worldwide and, more particularly, in Mainland China, the number of incoming visitors to Hong Kong is anticipated to further increase. Moreover, it is widely perceived that the overall demand for hotel rooms in the foreseeable future should remain strong and room rates can expect to rise further.

Businesses at the five Regal Hotels in Hong Kong continued to perform well in the first quarter of 2006, with average room rate and gross operating profits both attaining an encouraging double-digit growth as compared with the corresponding period in 2005.

When the asset enhancement programme is fully completed, the total hotel room count of the five Regal Hotels in Hong Kong will increase by about 14% to boost an aggregate of over 3,800 rooms. As the five Regal Hotels in Hong Kong are strategically positioned within the local hotel market to cater to different market segments in different localities, the Regal group anticipates that these hotels will be able to generate substantially increasing income.

Having regard to the increasing confidence maintained over the future economic growth of Hong Kong, transaction volume in the high-end residential properties should gradually increase when the interest rates are seen as topping off, and with the scarcity of new supply, outlook of the luxury residential property market remains positive. The net carrying value of the 38 remaining houses in Regalia Bay is still significantly below their prevailing market valuation. Substantial cash flow and profits will be derived by the Regal group when these houses are gradually sold.

Over the past years, it has been the trend for some major international hotel groups to reorganise and segregate their hotel ownership with their hotel operating and management businesses into separate entities. Having considered the benefits of such segregation and, in particular, the greater scope and flexibility that such segregation can bring to the continuing business expansion under two separate operating arms, the Regal group has been actively working with appointed investment banks on a proposal for the separate listing of a real estate investment trust involving its five Regal Hotels in Hong Kong.

Overall, the directors of Regal are confident that the Regal group will be able to achieve increasing profitability and business growth in the years ahead.

Paliburg group

The financial position of the Paliburg group is very healthy and the Paliburg group is now well positioned to take on new business development opportunities. While the strategic shareholding in Regal will continue to be held as a core investment, the Paliburg group is actively planning to replenish its assets portfolio in property development and investments, which remain to be the core businesses of the Paliburg group. Having regard to the optimistic outlook on the PRC economy, the Paliburg group is confident that the joint venture development project being undertaken in Beijing has huge profit potential. The Paliburg group is at the same time reviewing potential investment opportunities in other key mainland cities, with a view to securing new projects that are beneficial to the future growth of the Paliburg group.

Due to the satisfactory results achieved, the directors of Paliburg have decided to resume the payment of a final dividend to shareholders. This clearly endorses the confidence level of the Paliburg's directors in the future prospects of the Paliburg group and its directors are also hopeful that additional returns will be brought to shareholders in the coming years.

Century City Group

The proposals on the issue of the Bonds and the Bonus Issue of Warrants completed in December 2005 and January 2006, respectively, were implemented with a view to raising funds to the Group to further strengthen its overall financial position. Capitalising on the encouraging prospects of Paliburg and Regal, the Company has formulated plans to revitalise and diversify its own business portfolio. In this regard, the Group is actively assessing a number of selected investment opportunities, in Hong Kong and in the PRC, which are considered to be conducive to its future development. The Directors believe that the Group as a whole will be able to achieve continuing progress, both in terms of business growth as well as in profit performance, in the coming years.

The Directors of the Company are equally optimistic over the future prospects of the Century City Group and have now resolved to resume dividend payment to shareholders with the proposed 2005 final dividend. Although the amount of the proposed dividend is relatively modest, the Directors are hopeful that the dividend amount will gradually increase when the Group's overall profitability continues to improve.

DIRECTORS AND STAFF

Once again, I would like to express my sincere gratitude to all my fellow Directors and all management and staff members for their unfailing support and efforts all through the past years. I would also like to take this opportunity to thank Mr. Tommy Lam Chi Chung, who resigned as a Director of the Company on 1st October, 2005, for his past contribution.

LO YUK SUI
Chairman

Hong Kong
18th April, 2006