



Report of the Directors

The Directors have pleasure in submitting their annual report together with the audited statement of accounts for the year ended 31 December 2006.

Principal Place of Business

The Company is incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 23rd Floor, Pioneer Centre, 750 Nathan Road, Kowloon, Hong Kong.

Principal Activities

The principal activities of the Company are property development and investment and the holding of investments. The principal activities and particulars of its principal subsidiaries are set out in note 30 on the accounts.

Group Profit

The profit of the Group for the year ended 31 December 2006 and the state of affairs of the Company and of the Group at that date are set out in the accounts on pages 49 to 120.

Dividends

An interim dividend of HK\$0.13 per share (2005: HK\$0.10 per share) was paid on 6 October 2006. The Directors now recommend that a final dividend of HK\$0.42 per share (2005: HK\$0.35 per share) be paid in respect of the year ended 31 December 2006.

Share Capital

Movements in share capital during the year are set out in note 24 on the accounts.

Purchase, Sale or Redemption of the Company's Listed Shares

Save as disclosed in the section of the Share Placements, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed shares during the year.



Share Placements

On 4 May 2006, the Company entered into a top-up placing agreement with Intellinsight Holdings Limited (“Intellinsight”) in respect of the issue and subscription of up to 113,353,000 new ordinary shares of the Company at HK\$12.40 per share. The placees included institutional and professional investors. The net proceeds from the placed shares of approximately HK\$1,377 million was used by the Company as to HK\$970 million to fund the subscription of shares in Polytec Asset Holdings Limited, a listed subsidiary of the Company, and the remainder of approximately HK\$407 million was used for business development and expansion.

On 15 September 2006, the Company entered into a placing agreement with Intellinsight and the placing agent pursuant to which the aggregate 87,000,000 new ordinary shares were placed at HK\$13.25 per share. The placees procured by the placing agent included professional, institutional and/or individual investors. The net proceeds from the placed shares of approximately HK\$1,133 million was used by the Company for property investment and development business in Mainland China.

Reserves

Movements in reserves during the year are set out in note 24 on the accounts.

Fixed Assets

Movements in fixed assets during the year are set out in note 10 on the accounts.

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Company and of the Group as at 31 December 2006 are set out in notes 12, 21, 22 and 23 on the accounts.

Finance Costs Capitalized

The amount of finance costs capitalized by the Group during the year is set out in note 3(b) on the accounts.

Donations

Charitable donations made by the Group during the year amounted to HK\$597,340 (2005: HK\$762,019).



Report of the Directors

Properties

Particulars of properties of the Group are shown on pages 121 to 126 of the annual report.

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 2 to 3 of the annual report.

Directors

The Directors of the Company during the year and up to the date of this report are as follows and their brief biographical details are set out on pages 22 to 24 of the annual report:

Mr Or Wai Sheun, *Chairman*

Mr Keith Alan Holman, *Deputy Chairman*

Ms Ng Chi Man, *Executive Director*

Mr Lai Ka Fai, *Executive Director*

Mr Or Pui Kwan, *Executive Director*

Mr Tam Hee Chung, *Non-executive Director*

Mr Yeung Kwok Kwong, *Non-executive Director*

Mr Chau Cham Son, *Independent Non-executive Director (retired on 8 May 2006)*

Mr Li Kwok Sing, Aubrey, *Independent Non-executive Director*

Mr Lok Kung Chin, Hardy, *Independent Non-executive Director*

Mr Seto Gin Chung, John, *Independent Non-executive Director*

In accordance with article 105 of the Articles of Association of the Company, Mr Or Wai Sheun, Mr Li Kwok Sing, Aubrey, Mr Lok Kung Chin, Hardy and Mr Seto Gin Chung, John will retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

The Company has received from each Independent Non-executive Director an annual confirmation of his independence pursuant to the independence guidelines under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and the Company still considers such Directors to be independent.

Particulars of the Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance and Appendix 16 of the Listing Rules are set out in note 4 on the accounts.

Directors' Interests and Short Positions

As at 31 December 2006, the following Directors of the Company were interested, or deemed to be interested in, the following long and short positions 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 ("SFO")) as recorded in the register required to be kept under Part XV (s.352) of the SFO:

1. Long Positions in Shares, Underlying Shares and Debentures of the Company

Name of Director	Nature of interest	Number of shares	Number of underlying shares	Total interest	Percentage of total issued shares (Note 1)	Note(s)
Or Wai Sheun	Beneficiary	448,238,083	382,349,425	830,587,508	72.18%	2
	Corporate	185,000	92,500	277,500	0.02%	3,9
Ng Chi Man	Beneficiary	448,238,083	382,349,425	830,587,508	72.18%	4
Or Pui Kwan	Beneficiary	448,238,083	382,349,425	830,587,508	72.18%	5
	Personal	7,000	3,500	10,500	0.00%	5,9
Lok Kung Chin, Hardy	Under trust	950,000	475,000	1,425,000	0.12%	6,9
Tam Hee Chung	Corporate	500,000	250,000	750,000	0.07%	7,9
Keith Alan Holman	Personal	358,000	179,000	537,000	0.05%	8,9
Lai Ka Fai	Personal	312,000	156,000	468,000	0.04%	8,9
Yeung Kwok Kwong	Personal	110,000	55,000	165,000	0.01%	8,9

Notes:

- The percentage holding is calculated based on the number of shares interested or deemed to be interested over 1,150,681,275 shares of the Company, being the enlarged issued share capital of the Company after the two for one rights issue as detailed in the Company's prospectus dated 19 January 2007 and completed on 12 February 2007.



Report of the Directors

2. Mr Or Wai Sheun was deemed to be interested in 830,587,508 shares ultimately and wholly-owned by a discretionary family trust of which Mr Or is the founder and a beneficiary. Out of 830,587,508 shares, 158,230,384 shares are underwritten interest and 224,119,041 shares are undertaken interest, both arising pursuant to an underwriting agreement dated 19 December 2006 entered by Intellinsight Holdings Limited (“Intellinsight”), a controlling shareholder of the Company, ultimately and wholly-owned by the discretionary family trust. These shares were the shares disclosed under Ms Ng Chi Man and Mr Or Pui Kwan in the above table and in the Note of the section on “Interests of Substantial Shareholders and Other Persons”.
3. Mr Or Wai Sheun was also deemed to be interested in 277,500 shares owned by China Dragon Limited due to his corporate interest therein.
4. Ms Ng Chi Man is the spouse of Mr Or Wai Sheun. Ms Ng was deemed to be interested in 830,587,508 shares as a beneficiary of the discretionary family trust referred in Note 2 above.
5. Mr Or Pui Kwan is the son of Mr Or Wai Sheun and Ms Ng Chi Man. Mr Or Pui Kwan was the beneficial owner of 10,500 shares and was also deemed to be interested in 830,587,508 shares as a beneficiary of the discretionary family trust referred in Note 2 above.
6. Mr Lok Kung Chin, Hardy was taken to be interested in 1,425,000 shares owned by discretionary trusts of which Mr Lok is the founder and a beneficiary respectively.
7. Mr Tam Hee Chung was deemed to be interested in 750,000 shares owned by Larry H.C. Tam & Associates Limited by virtue of his 48% interest therein.
8. Shares were held by the respective Directors in their capacity as beneficial owners.
9. Each of Mr Or Wai Sheun, Mr Or Pui Kwan, Mr Lok Kung Chin, Hardy, Mr Tam Hee Chung, Mr Keith Alan Holman, Mr Lai Ka Fai and Mr Yeung Kwok Kwong has undertaken to the Company to subscribe or procure the subscription of 92,500, 3,500, 475,000, 250,000, 179,000, 156,000 and 55,000 shares that are provisionally allotted to them under the two for one rights issue respectively.

2. Long Positions in Shares, Underlying Shares and Debentures of Associated Corporations

Polytec Asset Holdings Limited ("Polytec Asset")

Name of Director	Nature of interest	Number of shares	Number of underlying shares	Total interest	Percentage of total issued shares (Note 1)	Note(s)
Or Wai Sheun	Beneficiary	2,572,167,275	69,897,537	2,642,064,812	61.21%	2
Ng Chi Man	Beneficiary	2,572,167,275	69,897,537	2,642,064,812	61.21%	2
Or Pui Kwan	Beneficiary	2,572,167,275	69,897,537	2,642,064,812	61.21%	2
Yeung Kwok Kwong	Personal	1,700,000	160,000	1,860,000	0.04%	3
Tam Hee Chung	Corporate	1,000,000	100,000	1,100,000	0.03%	4,5
Keith Alan Holman	Personal	530,000	52,000	582,000	0.01%	6
Lai Ka Fai	Personal	400,000	30,000	430,000	0.01%	7

Notes:

1. The percentage holding is calculated based on 4,316,425,295 ordinary shares, being the total number of issued shares of Polytec Asset as at 31 December 2006.
2. Through their respective interests in the Company disclosed under the subsection on "Long Positions in Shares, Underlying Shares and Debentures of the Company", and by virtue of 100% interest in Marble King International Limited, an immediate holding company of Polytec Asset, by the Company, Mr Or Wai Sheun, Ms Ng Chi Man and Mr Or Pui Kwan were deemed to be interested in 2,572,167,275 ordinary shares and 69,897,537 units of warrants which entitle it to subscribe for 69,897,537 ordinary shares of Polytec Asset upon full exercise of the rights under the warrants.
3. Mr Yeung Kwok Kwong holds 160,000 units of warrants which entitle him to subscribe for 160,000 ordinary shares of Polytec Asset upon full exercise of the rights under the warrants.
4. By virtue of a 48% interest in Larry H.C. Tam & Associates Limited which owns such 1,000,000 ordinary shares.
5. Larry H.C. Tam & Associates Limited holds 100,000 units of warrants which entitle it to subscribe for 100,000 ordinary shares of Polytec Asset upon full exercise of the rights under the warrants. As Mr Tam Hee Chung holds a 48% interest in Larry H.C. Tam & Associates Limited, he is deemed to be interested in the warrants.



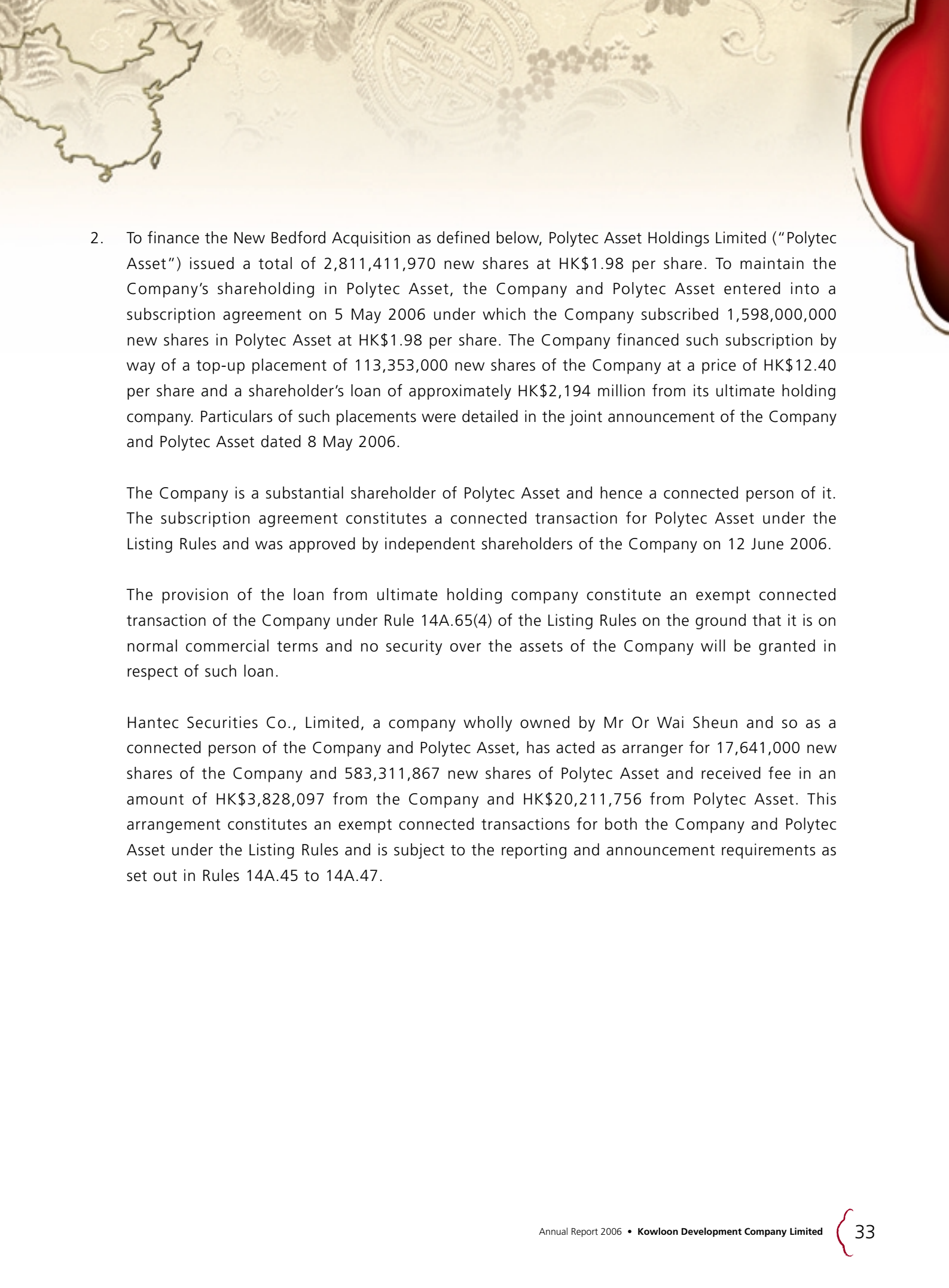
Report of the Directors

6. Mr Keith Alan Holman holds 52,000 units of warrants which entitle him to subscribe for 52,000 ordinary shares of Polytec Asset upon full exercise of the rights under the warrants.
7. Mr Lai Ka Fai holds 30,000 units of warrants which entitle him to subscribe for 30,000 ordinary shares of Polytec Asset upon full exercise of the rights under the warrants.

Other than the holdings disclosed above, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any Director of the Company or their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein. None of the Directors (including their spouses and children under the age of 18) had, as at 31 December 2006, any interest in, or had been granted any right to subscribe for the shares and options of the Company and its associated corporations within the meaning of the SFO, or had exercised any such rights.

Directors' Interests in Contracts and Connected Transactions

1. On 19 December 2006, the Company, Intellinsight Holdings Limited ("Intellinsight") and undertaking directors (including Mr Or Wai Sheun, Mr Or Pui Kwan, Mr Tam Hee Chung, Mr Lai Ka Fai, Mr Lok Kung Chin, Hardy, Mr Keith Alan Holman and Mr Yeung Kwok Kwong) entered into an underwriting agreement pursuant to which Intellinsight has undertaken to the Company to subscribe for 224,119,041 rights shares provisionally allotted to it and the undertaking directors in aggregate to subscribe for 1,211,000 rights shares provisionally allotted to them under the two for one rights issue at a price of HK\$13.80 per rights share, which particulars were detailed in the Company's prospectus dated 19 January 2007.

- 
2. To finance the New Bedford Acquisition as defined below, Polytec Asset Holdings Limited (“Polytec Asset”) issued a total of 2,811,411,970 new shares at HK\$1.98 per share. To maintain the Company’s shareholding in Polytec Asset, the Company and Polytec Asset entered into a subscription agreement on 5 May 2006 under which the Company subscribed 1,598,000,000 new shares in Polytec Asset at HK\$1.98 per share. The Company financed such subscription by way of a top-up placement of 113,353,000 new shares of the Company at a price of HK\$12.40 per share and a shareholder’s loan of approximately HK\$2,194 million from its ultimate holding company. Particulars of such placements were detailed in the joint announcement of the Company and Polytec Asset dated 8 May 2006.

The Company is a substantial shareholder of Polytec Asset and hence a connected person of it. The subscription agreement constitutes a connected transaction for Polytec Asset under the Listing Rules and was approved by independent shareholders of the Company on 12 June 2006.

The provision of the loan from ultimate holding company constitute an exempt connected transaction of the Company under Rule 14A.65(4) of the Listing Rules on the ground that it is on normal commercial terms and no security over the assets of the Company will be granted in respect of such loan.

Hantec Securities Co., Limited, a company wholly owned by Mr Or Wai Sheun and so as a connected person of the Company and Polytec Asset, has acted as arranger for 17,641,000 new shares of the Company and 583,311,867 new shares of Polytec Asset and received fee in an amount of HK\$3,828,097 from the Company and HK\$20,211,756 from Polytec Asset. This arrangement constitutes an exempt connected transactions for both the Company and Polytec Asset under the Listing Rules and is subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47.



Report of the Directors


3. On 8 April, 2006, Profit Sphere International Limited ("Profit Sphere"), a wholly-owned subsidiary of Polytec Asset, entered into an agreement pursuant to which Profit Sphere agreed to acquire from Polytec Holdings International Limited ("Polytec Holdings") the entire issued share capital of New Bedford Properties Limited ("New Bedford") at an aggregate consideration of HK\$8,448 million ("New Bedford Acquisition").

The New Bedford Acquisition constitutes a very substantial acquisition and connected transaction both for the Company and for Polytec Asset under the Listing Rules. The provision of loans by New Bedford to Polytec Corporation Limited ("Polytec"), a wholly-owned subsidiary of Polytec Holdings, and to Fok Kiu – Properties Investment Limited, an indirect wholly-owned subsidiary of Polytec Holdings, relating to participation in the development of three property projects in Macau after completion of the New Bedford Acquisition constitutes connected transactions for the Company and Polytec Asset under the Listing Rules. The New Bedford Acquisition and the provision of loans by New Bedford both were approved by the independent shareholders of the Company on 12 June 2006. The New Bedford Acquisition was completed on 15 June 2006.

4. On 12 October 2005, the Company and Mr Or Wai Sheun ("Mr Or") entered into an agreement pursuant to which the Company agreed to acquire from Mr Or the entire issued share capital of and shareholder's loan due by Marble King International Limited ("Marble King") to Mr Or ("Marble King Acquisition") at an aggregate consideration of HK\$826,062,195. The principal asset of Marble King is its holding in an aggregate of 698,975,374 shares in Polytec Asset and 3,703,590,076 partly paid non-voting convertible redeemable preference shares in Polytec Asset ("CPSs"). The 698,975,374 shares and 3,703,590,076 CPSs represent an approximately 56.84% of the then existing issued shares and all the issued CPSs of Polytec Asset.

By virtue of his equity interest in the Company, Mr Or is a connected person of the Company and the Marble King Acquisition constitutes a connected transaction for the Company under the Listing Rules. The Marble King Acquisition as detailed in a circular issued by the Company on 4 November 2005 was approved by independent shareholders on 21 November 2005 and completed on 24 November 2005.

Subsequently on 15 August 2006, Marble King had contributed HK\$66,665,000 to Polytec Asset to pay up the CPSs in full and exercised the conversion right of CPSs to convert total of 275,191,901 shares in Polytec Asset.

- 
5. On 7 January 2004, Future Star International Limited ("Future Star"), a wholly-owned subsidiary of the Company, and Polytec Holdings entered into an agreement pursuant to which Future Star agreed to conditionally acquire from Polytec Holdings the entire issued share capital of and shareholder's loan due by Top Milestone Developments Limited ("Top Milestone"), a wholly-owned subsidiary of Polytec Holdings, to Polytec Holdings ("Future Star Acquisition") at an aggregate consideration of HK\$400 million.

Top Milestone had entered into a co-investment agreement ("Co-Investment Agreement") with Polytec, whereby Top Milestone agreed to provide financing to Polytec in the development of a property project named La Baie Du Noble in Macau.

As Polytec Holdings is the controlling shareholder of the Company, the Future Star Acquisition and the provision of loans by Top Milestone to Polytec pursuant to the Co-Investment Agreement after completion of the Future Star Acquisition constitute a connected transaction for the Company under Rule 14.26 and 14.25(2) of the then Listing Rules respectively. A loan agreement dated 24 February 2004 was entered into between the Company as borrower and Polytec Holdings as lender in relation to the provision of a loan in the sum of HK\$400 million to the Company upon normal commercial terms to assist the completion of the Future Star Acquisition. The signing of the said loan agreement is a connected transaction exempted by virtue of Rule 14.24(8) of the then Listing Rules. Polytec Holdings is ultimately wholly-owned by a family trust the beneficiary objects of which include Mr Or Wai Sheun, the Chairman of the Company, Ms Ng Chi Man and Mr Or Pui Kwan, Executive Directors, and their family members. The Future Star Acquisition as detailed in a circular issued by the Company on 30 January 2004 was approved by independent shareholders on 16 February 2004 and completed on 24 February 2004.

For the above connected transactions, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules. Save as disclosed above and under the heading "Material Related Party Transactions" as set out in note 32 to the accounts, no other contracts of significance to which the Company, any of its subsidiaries, holding companies or fellow subsidiaries was a party and in which a Director had a material interest subsisted at any time during the year.

Report of the Directors

Directors' Service Contracts

No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company or any subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors are subject to retirement by rotation as required by article 105 of the Company's Articles of Association.

Interests of Substantial Shareholders and Other Persons

As at 31 December 2006, the interests and short positions of persons, other than Directors, in the shares, underlying shares and debentures of the Company as recorded in the register required to be kept under Part XV (s.336) of the SFO were as follows:

Name of Shareholders	Nature of interest	Number of shares	Number of underlying shares	Total interest	Percentage of total issued shares (Note 1)	Note(s)
HSBC International Trustee Limited	Trustee	448,771,083	382,349,425	831,120,508	72.23%	2
Or Family Trustee Limited Inc.	Trust	448,238,083	382,349,425	830,587,508	72.18%	2

Notes:

1. The percentage holding is calculated based on the number of shares interested or deemed to be interested over 1,150,681,275 shares of the Company, being the enlarged issued share capital of the Company after the two for one rights issue as detailed in the Company's prospectus dated 19 January, 2007 and completed on 12 February 2007.
2. Out of the 831,120,508 shares in which HSBC International Trustee Limited was interested as trustee of certain discretionary trusts that it manages, 830,587,508 shares were the shares held by the Or Family Trustee Limited Inc. as trustee disclosed in the above table and referred in Note of the section on "Directors' Interests and Short Positions".



Share Option Scheme

The Company operates a share option scheme (the “Share Option Scheme”) for the purpose of providing incentives and rewards to eligible persons who contribute to the success of the Group’s operations. Eligible persons include any employee, director, supplier, customer, business partner or business associate, trading agent, consultant or adviser, holder of any securities issued by any member of the Group or any entity in which the Group holds an equity interest (“Invested Entity”) of any member of the Group or any Invested Entity who, in the discretion of the Board of Directors, has contributed or will contribute to the growth and development of the Group or any Invested Entity.

The Share Option Scheme was adopted by the Company on 21 May 2003 and complies with the requirements of Chapter 17 of the Listing Rules. Unless otherwise terminated or amended, the Share Option Scheme will remain in force for a period of 10 years.

The total number of shares which may be issued pursuant to the Share Option Scheme is 48,376,785 shares, being 10% of the total number of shares of the Company in issue as at the date of approval of the Share Option Scheme. No option has been granted under the Share Option Scheme to any person since its adoption and the total number of shares available for issue remains at 48,376,785 representing 4.20% of the issued share capital of the Company at the date of this report.

Retirement Schemes

Particulars of the retirement schemes operated by the Group are set out in note 31 on the accounts.

Arrangement to Purchase Shares and Debentures

Apart from the Share Option Scheme, 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 acquisition of shares in, or debenture of, the Company or any other body corporate.

Corporate Governance

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 39 to 47.



Report of the Directors

Review of Accounts

The Audit Committee has reviewed the Group's consolidated accounts for the year ended 31 December 2006, including the accounting principles and practices adopted by the Group, in conjunction with the Company's auditors.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of its Directors, the Company has maintained the prescribed public float under the Listing Rules as at the date of this report.

Closure of Register of Members

The Register of Members of the Company will be closed from Thursday, 19 April 2007 to Thursday, 26 April, 2007, both dates inclusive. To qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, at 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 18 April 2007.

Auditors

KPMG retire and, being eligible, offer themselves for reappointment. A resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By Order of the Board

Or Wai Sheun

Chairman

Hong Kong, 15 March 2007