

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Company's principal subsidiaries are set out in note 43 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2006 and the state of affairs of the Company and the Group at that date are set out in this annual report on pages 39 to 156.

The Directors recommend a final dividend of HK2.5 cents per ordinary share in respect of the year ended 31 December 2006 payable on 17 May 2007 to shareholders whose names appear on the register of members of the Company on 7 May 2007. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet. Together with the interim dividend of HK2 cents per ordinary share paid to shareholders on 11 October 2006, the total annual dividend will amount to HK4.5 cents per ordinary share for the financial year (2005: HK4 cents (as adjusted to reflect the share consolidation in 2006)).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and restated as appropriate, is set out on page 160 of this annual report. The summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of the movements in the property, plant and equipment of the Company and the Group, and investment properties of the Group during the year are set out in notes 15 and 16 to the financial statements, respectively. Further details of the Group's investment properties are set out on pages 157 to 159 of this annual report.

董事謹提呈本集團截至二零零六年十二月三十一日止年度之年報及經審核財務報表。

主要業務

本公司之主要業務為投資控股，其主要附屬公司之主要業務載於財務報表附註43內。本集團之主要業務性質在本年度內並無重大變動。

業績及股息

本集團截至二零零六年十二月三十一日止年度之溢利及本公司與本集團於當日之業務狀況載於本年報第39至156頁。

董事建議於二零零七年五月十七日向於二零零七年五月七日名列於本公司股東名冊內之股東派發截至二零零六年十二月三十一日止年度之末期股息每股普通股2.5港仙。此項建議已記錄在財務報表中，並在資產負債表內之股本項下列作保留溢利之分配。連同於二零零六年十月十一日向股東派發中期股息每股普通股2港仙，本財政年度之全年股息總額將為每股普通股4.5港仙(二零零五年：4港仙(已就二零零六年之股份合併作出調整))。

財務資料概要

本集團過去五個財政年度之已公佈的業績及資產、負債，以及少數股東權益概要(乃摘錄自經審核財務報表並於適當情況下重列)載於本年報第160頁內。此概要並不屬於經審核財務報表之一部份。

物業、廠房與設備及投資物業

本公司與本集團之物業、廠房與設備及本集團之投資物業於本年度之變動詳情分別載於財務報表附註15及16內。本集團投資物業之詳細資料載於本年報第157至159頁。

Report of the Directors

董事會報告

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the Company's share capital and share options during the year are set out in notes 32 and 33 to the financial statements, respectively.

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 its existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year, the Company repurchased certain of its shares on the Stock Exchange and these shares were subsequently cancelled by the Company. Further details of these transactions are set out in note 32 to the financial statements.

Save as disclosed above, the Company had not redeemed, and neither had the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the year.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in note 34 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2006, the Company's reserves available for cash distribution and/or distribution in specie, calculated in accordance with accounting principles generally accepted in Hong Kong, amounted to approximately HK\$1,146,841,000 (2005: approximately HK\$603,259,000), of which HK\$22,001,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of approximately HK\$469,000 (2005: approximately HK\$3,946,000), may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling approximately HK\$1,089,000 (2005: approximately HK\$1,089,000).

股本及購股權

本公司之股本及購股權於本年度之變動詳情分別載於財務報表附註32及33內。

優先購買權

本公司之公司細則或百慕達法例中並無優先購買權之規定，強制本公司須按比例向其現時股東提呈發售新股。

購買、贖回或出售本公司之上市證券

於年內，本公司在聯交所購回其若干股份，而該等股份其後由本公司註銷。該等交易之詳細資料載於財務報表附註32。

除上文所披露者外，於本年度本公司並無贖回，及本公司或其任何附屬公司並無購買或出售本公司任何上市證券。

儲備

本公司與本集團於本年度之儲備變動詳情分別載於財務報表附註34及綜合權益變動表內。

可供分派儲備

於二零零六年十二月三十一日，本公司根據香港公認會計準則而可供現金分派及／或實物分派之儲備約為1,146,841,000港元（二零零五年：約603,259,000港元），其中22,001,000港元已擬作本年度之末期股息。此外，本公司之股份溢價賬合共約469,000港元（二零零五年：約3,946,000港元）可以繳足紅股之方式進行分派。

慈善捐款

本集團於本年度合共捐出慈善捐款約1,089,000港元（二零零五年：約1,089,000港元）。

MAJOR CUSTOMERS AND SUPPLIERS

For the year under review, the aggregate amount of revenue attributable to the Group's five largest customers represented less than 30% of the Group's total revenue. The aggregate amount of purchases attributable to the Group's five largest suppliers represented about 59% of the Group's total purchases and the purchase attributable to the Group's largest supplier was about 33% of the Group's total purchases.

As one of the Group's five largest suppliers is a jointly-controlled entity of the Group, Mr. Ho Tsu Kwok, Charles, being an executive director of the Company and controls a company which is the controlling shareholder of the Company, is deemed to have interest in the said supplier. Mrs. Sy Wong Chor Fong, being an executive director of the Company and controls a company which is a shareholder of the Company, is also deemed to have interest in the said supplier. Save as disclosed herein, none of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The Directors during the year were:

Executive directors:

Mr. Ho Tsu Kwok, Charles
Ms. Judy Inn (appointed on 19 April 2006)
Mr. Jia Hongping
Mr. Lai Ting Yiu
Mr. Lau Chung Man, Louis
Mr. Lo Wing Hung
Mrs. Sy Wong Chor Fong
Mr. Yang Yiu Chong, Ronald Jeffrey
Mr. Jim Sui Hing (retired on 17 May 2006)

Non-executive director:

Mr. Leung Chun Ying

Independent non-executive directors:

Mr. Timothy David Dattels
Ms. Ho Chiu King, Pansy Catilina
Mr. King Richard Yun Zing
Mr. Lee Cho Jat
Mr. Tung Chee Chen

主要客戶及供應商

於回顧年度，本集團五大客戶之營業總額佔本集團營業總額不足30%。本集團五大供應商之採購總額佔本集團採購總額約59%，而本集團最大供應商之採購額佔本集團採購總額約33%。

因屬於本集團五大供應商之一之供應商為本集團之共同控制公司，本公司執行董事何柱國先生因同時控制一間為本公司控股股東之公司，故何先生被視為擁有上述供應商之權益；另本公司執行董事施黃楚芳女士亦因同時控制一間為本公司股東之公司，故黃女士亦被視為擁有上述供應商之權益。除本文所披露外，董事、彼等之聯繫人士或據董事所知任何擁有本公司已發行股本5%以上之股東，一概無擁有本集團五大客戶或供應商之任何實益權益。

董事

本年度之董事如下：

執行董事：

何柱國先生
邢珠迪女士（於二零零六年四月十九日獲委任）
賈紅平先生
黎廷瑤先生
劉仲文先生
盧永雄先生
施黃楚芳女士
楊耀宗先生
詹瑞慶先生（於二零零六年五月十七日退任）

非執行董事：

梁振英先生

獨立非執行董事：

Timothy David Dattels先生
何超瓊女士
金元成先生
李祖澤先生
董建成先生

Report of the Directors

董事會報告

DIRECTORS (continued)

According to bye-law 87 of the Company's bye-laws, Mr. Timothy David Dattels, Ms. Ho Chiu King, Pansy Catilina, Mr. Lai Ting Yiu and Mrs. Sy Wong Chor Fong will retire by rotation, and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company (the "AGM"). In accordance with the CG Code contained in Appendix 14 of the Listing Rules, Mr. Ho Tsu Kwok, Charles, the Chairman of the Company, will retire voluntarily by rotation, and being eligible, will offer himself for re-election at the AGM. Details of the Directors' standing for re-election are set out in the circular to the shareholders sent together with this annual report.

The Company has received annual confirmations of independence from Mr. Timothy David Dattels, Ms. Ho Chiu King, Pansy Catilina, Mr. King Richard Yun Zing, Mr. Lee Cho Jat and Mr. Tung Chee Chen and considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 17 to 22 of this annual report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings of the Company every year. Other emoluments are determined and approved by the Company's board of directors with reference to Directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 40 to the financial statements, none of the Directors had a material interest, whether directly or indirectly, in any contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

董事 (續)

根據本公司之公司細則第87條，Timothy David Dattels先生、何超瓊女士、黎廷瑤先生及施黃楚芳女士將會輪值告退，並符合資格及願意於本公司即將舉行之股東週年大會（「股東週年大會」）上膺選連任。根據上市規則附錄14所載之企業管治守則，本公司之主席何柱國先生將自願輪值告退，並符合資格及願意於股東週年大會上膺選連任。預備重選的董事資料載於連同本年報寄發予股東之通函內。

本公司已接獲Timothy David Dattels先生、何超瓊女士、金元成先生、李祖澤先生及董建成先生之年度獨立確認書，認為彼等均為獨立人士。

董事及高級管理層履歷

董事及本集團高級管理層之履歷載於本年報第17至22頁。

董事之服務合約

董事概無與本公司或其任何附屬公司訂立本集團不可於一年內不作補償（法定補償除外）而終止之服務合約。

董事薪酬

董事之袍金須在本公司每年股東大會上獲股東批准後方可作實。其他報酬乃由本公司董事會參照董事職務、責任與表現以及本集團業績而釐定及批准。

董事之合約權益

除財務報表附註40所披露外，董事概無在本公司或其任何附屬公司於本年度訂立並對本集團業務有重大影響之合約中，直接或間接擁有任何重大權益。

DIRECTORS' INTERESTS

As at 31 December 2006, the interests and short positions of the Directors in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in Appendix 10 of the Listing Rules, were as follows:

Long positions

Name of director	Notes	Number of ordinary shares held, capacity and nature of interest 所持普通股數目、身份及權益性質			Percentage of the Company's issued share capital 佔本公司已發行股本之百分比
		Personal interests	Corporate interests	Total	
董事姓名	附註	個人權益	公司權益	總數	
Mr. Ho Tsu Kwok, Charles	何柱國先生 (1)	-	426,197,500	426,197,500	48.383%
Mrs. Sy Wong Chor Fong	施黃楚芳女士 (2)	625,000	81,959,500	82,584,500	9.375%
Ms. Judy Inn	邢珠迪女士	50,000	-	50,000	0.005%

Notes:

- (1) Of these shares, 424,948,000 and 1,249,500 shares were held by Luckman Trading Limited ("Luckman") and Yosham Limited, respectively, which were beneficially owned by Mr. Ho Tsu Kwok, Charles.
- (2) The corporate interests of 81,959,500 shares were held by Stagelight Group Limited ("Stagelight"), which was beneficially wholly-owned by Mrs. Sy Wong Chor Fong.

The interests of the Directors in the share options of the Company are separately disclosed in note 33 to the financial statements.

None of the Directors had short positions in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO).

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed in the share option schemes disclosures in note 33 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

董事權益

於二零零六年十二月三十一日，董事於本公司或其相聯法團(定義見證券及期貨條例(「證券及期貨條例」)第XV部)之股份及相關股份中，擁有根據證券及期貨條例第352條存置之登記冊所記錄或根據上市規則附錄10所載之標準守則須知會本公司及聯交所之權益或淡倉如下：

好倉：

Name of director	Notes	Number of ordinary shares held, capacity and nature of interest 所持普通股數目、身份及權益性質			Percentage of the Company's issued share capital 佔本公司已發行股本之百分比
		Personal interests	Corporate interests	Total	
董事姓名	附註	個人權益	公司權益	總數	
Mr. Ho Tsu Kwok, Charles	何柱國先生 (1)	-	426,197,500	426,197,500	48.383%
Mrs. Sy Wong Chor Fong	施黃楚芳女士 (2)	625,000	81,959,500	82,584,500	9.375%
Ms. Judy Inn	邢珠迪女士	50,000	-	50,000	0.005%

附註：

- (1) 該等股份當中，424,948,000股及1,249,500股分別由Luckman Trading Limited(「Luckman」)及Yosham Limited持有。該兩間公司均由何柱國先生實益擁有。
- (2) 公司權益之股份81,959,500股由Stagelight Group Limited(「Stagelight」)持有，該公司由施黃楚芳女士實益全資擁有。

董事持有本公司購股權之權益另獨立披露於財務報表附註33內。

概無董事持有本公司或其相聯法團(定義見證券及期貨條例第XV部)之股份及相關股份的淡倉。

董事收購股份之權利

除購股權計劃披露於財務報表附註33外，本公司於本年度並無向任何董事或彼等各自之配偶或未滿十八歲之子女授出任何權利，可藉購入本公司之股份或債權證而獲益，或彼等於本年度亦無行使該等權利；或本公司或其任何附屬公司亦無訂立任何安排，致使董事於任何其他法人團體擁有該等權利。

Report of the Directors

董事會報告

SHARE OPTION SCHEMES

The Directors have estimated the values of the share options granted during the year, calculated using the Black-Scholes option pricing model as at the date of grant of the share options:

Grantee	Date of grant	Number of share options granted during the year	Number of share options granted as adjusted for share consolidation		Theoretical value of share options
			(Note)		
獲授人士	授出日期	於年內授出之購股權數目	就股份合併予以調整之授出購股權數目	(附註)	購股權之理論價值
Ms. Judy Inn	邢珠迪女士 10 July 2006 二零零六年七月十日	2,250,000	2,250,000		810,000
Other employees (in aggregate)	其他僱員(合共) 19 January 2006 二零零六年一月十九日	7,400,000	3,700,000		1,110,000
			5,950,000		1,920,000

The Black-Scholes option pricing model is a generally accepted method of valuing share options. The significant assumptions used in the calculation of the values of the share options are further detailed in note 33 to the financial statements. The measurement dates used in the valuation calculations were the dates on which the share options were granted or approved.

The value of a share option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of a share option.

Note: On 18 May 2006, the authorised share capital of the Company has been consolidated on the basis that every two issued and unissued shares of HK\$0.1 each in the share capital of the Company be consolidated into one share of HK\$0.2 each. As a result of the share consolidation, the number of share options granted during the year has been adjusted, as appropriate.

購股權計劃

董事估計於年內授出之購股權價值時，使用柏力克舒爾購股權定價模式於授出購股權日期當日計算，詳情如下：

柏力克舒爾購股權定價模式是被普遍採用以估計購股權價值之方法。於計算購股權價值時所採用之重大假設之進一步詳情，載於財務報表附註33。在計算估值時所採用之計量日期，乃授出或批准購股權的日期。

購股權之價值，須視乎若干主觀假設之變數而計算出不同之估值。倘已採用之變數出現任何變動，則可能會對購股權公平價值之評估造成重大影響。

*附註：*於二零零六年五月十八日，本公司之法定股本按本公司股本中每兩股每股面值0.1港元之已發行及未發行股份合併為一股每股面值0.2港元之股份為基準合併。由於股份合併，於本年度內授出之購股權數目已調整(如適用)。

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31 December 2006, those persons, other than the Directors or chief executive of the Company, who had the interests and short positions of 5% or more of the issued share capital of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

Long positions:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital 佔本公司已發行股本之百分比
名稱	附註	身份及權益性質	所持普通股數目	
Luckman	(1)	Beneficial owner 實益擁有人	424,948,000	48.24%
Hong Kong Tobacco Company Limited ("HK Tobacco")	香港煙草有限公司 ("香港煙草") (2)	Deemed interest 視為擁有之權益	424,948,000	48.24%
Stagelight	(3)	Beneficial owner 實益擁有人	81,959,500	9.30%
Great Diamond Developments Limited		Beneficial owner 實益擁有人	68,959,500	7.82%

Notes:

- (1) The interests of Mr. Ho Tsu Kwok, Charles, held through a controlled corporation, duplicates to those disclosed in the section "Directors' Interests" above.
- (2) Pursuant to an option agreement dated 20 June 2001 and three supplemental agreements entered into between Luckman and HK Tobacco on 19 July 2002, 19 July 2003 and 19 July 2006, respectively, HK Tobacco was granted an option to purchase from Luckman 33,000,000 ordinary shares of the Company. Under Sections 317 and 318 of the SFO, HK Tobacco is deemed to be interested in all the 424,948,000 ordinary shares of the Company held by Luckman.
- (3) The interests of Mrs. Sy Wong Chor Fong, held through a controlled corporation, duplicates to those disclosed in the section "Directors' Interests" above.

The Company had not been notified of any short position being held by any person, other than the Directors or chief executive of the Company, in the shares and underlying shares of the Company.

主要股東與其他人士之權益

於二零零六年十二月三十一日，按本公司根據證券及期貨條例第336條存置之登記冊所記錄，下列人士（本公司之董事或行政總裁除外）擁有本公司已發行股本5%或以上之權益或淡倉：

好倉：

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital 佔本公司已發行股本之百分比
名稱	附註	身份及權益性質	所持普通股數目	
Luckman	(1)	Beneficial owner 實益擁有人	424,948,000	48.24%
Hong Kong Tobacco Company Limited ("HK Tobacco")	香港煙草有限公司 ("香港煙草") (2)	Deemed interest 視為擁有之權益	424,948,000	48.24%
Stagelight	(3)	Beneficial owner 實益擁有人	81,959,500	9.30%
Great Diamond Developments Limited		Beneficial owner 實益擁有人	68,959,500	7.82%

附註：

- (1) 何柱國先生透過一家控制法團持有之權益與上文「董事權益」一節內所披露之權益相同。
- (2) 根據Luckman與香港煙草於二零零一年六月二十日訂立之購股權協議及分別於二零零二年七月十九日、二零零三年七月十九日及二零零六年七月十九日訂立之三份補充協議，香港煙草獲授購股權，可向Luckman收購本公司普通股33,000,000股。根據證券及期貨條例第317及318條，香港煙草被視為擁有Luckman所持有之全部424,948,000股本公司普通股之權益。
- (3) 施黃楚芳女士透過一家控制法團持有之權益與上文「董事權益」一節內所披露之權益相同。

本公司並不獲悉任何人士（本公司之董事或行政總裁除外）持有本公司之股份及相關股份的任何淡倉。

Report of the Directors

董事會報告

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 42 to the financial statements.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the AGM.

ON BEHALF OF THE BOARD

Mr. Ho Tsu Kwok, Charles

Chairman

Hong Kong
16 April 2007

公眾持股量

按照本公司公開可得之資料及就董事所知，於本報告日期，本公司已發行股本總額之最少25%乃由公眾人士持有。

結算日後事項

本集團結算日後的重大事項詳情載於財務報表附註42內。

核數師

安永會計師事務所將於股東週年大會上退任，會上將提呈一項決議案續聘安永會計師事務所為本公司之核數師。

承董事會命

主席

何柱國先生

香港
二零零七年四月十六日