

# Directors' Report

## 董事會報告

The Directors have pleasure in presenting their report together with the audited financial statements for the year ended 31 December 2006.

### Principal Activities

The Group is principally engaged in property development and property investment businesses in Suzhou, the PRC and through investment in an associated company, in property investment business in Beijing, the PRC.

### Results and Appropriations

The results of the Group for the year ended 31 December 2006 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 34 to 87.

The Directors have recommended the payment of a final dividend of 1 HK cent per share for the year ended 31 December 2006, which will be satisfied by allotment of new shares of the Company, by way of scrip dividend, with an alternative to shareholders of the Company to elect to receive such final dividend (or part thereof) in cash in lieu of such allotment.

The Directors also propose to make a bonus issue of one new ordinary share of HK\$0.01 credited as fully paid for every 50 ordinary shares held on the Register of Members on 1 June 2007.

### Share Capital

Details of the movements in the share capital of the Company are set out in note 26 to the financial statements.

### Reserves

Details of the movements in the reserves of the Group and the Company during the year are set out in note 28 to the financial statements.

### Distributable reserves

At 31 December 2006, the Company's reserves available for distribution, amounted to approximately HK\$21.1 million, of which approximately HK\$7.1 million has been proposed as a final dividend for the year. In addition, the Company's share premium account of approximately HK\$223.6 million, may be distributed in the form of fully paid bonus shares.

### Property, Plant and Equipment

Details of the movements in the property, plant and equipment of the Group are set out in note 13 to the financial statements.

### Principal Properties

Details of the principal properties for investment purposes and under development are set out on pages 89 to 92.

### Pre-Emptive Rights

There is no provision for pre-emptive rights under the Company's articles of association and there was no restriction against such rights under the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

董事欣然提呈其年報連同截至二零零六年十二月三十一日止年度之經審核財務報表。

### 主要業務

本集團主要在中國蘇州市從物業發展及物業投資業務，以及透過投資於一間聯營公司在中國北京市從物業投資業務。

### 業績及分派

本集團截至二零零六年十二月三十一日止年度的業績及本公司於該日的業務狀況載於第34至87頁的財務報表。

董事會建議派付截至二零零六年十二月三十一日止年度的末期股息每股1港仙，將透過以股代息方法配發本公司新股支付。本公司股東亦可選擇以現金收取該等末期股息(或其部份)以代替有關配發。

董事亦建議按二零零七年六月一日股東名冊上每持有50股普通股，發行一股普通股0.01港元之繳足股款新紅股。

### 股本

本公司股本的變動詳情載於財務報表附註26。

### 儲備

本集團及本公司之儲備於年內之變動情況乃載於財務報表附註28。

### 可供分派儲備

於二零零六年十二月三十一日，本公司之可供分派儲備達約21,100,000港元，其中約7,100,000港元已作末期股息宣派。此外，本公司約223,600,000港元之股份溢價帳，可以繳足股款之紅股方式分派。

### 物業、廠房及設備

本集團之物業、廠房及設備的變動詳情載於財務報表附註13。

### 主要物業

作投資用途的主要物業及發展中物業之詳情載於第89至92頁。

### 優先購股權

本公司的組織章程細則或開曼群島法例並無有關優先購買權的條文，規定本公司須按比例向現有股東發售新股份。

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### Group 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 page 88.

### Purchase, Sale or Redemption of Securities

The Company has not redeemed any of its shares during the year. Other than the issue of 73,196,818 shares (including 8,196,818 shares issued as scrip dividend) by the Company during the year, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

### Directors

The directors of the Company during the year were as follows:

#### Executive Directors

Mr. TAOCHAIFU Choofuang (*also known as CF Tao*) (Chairman)  
Mr. TAO Richard (*Vice Chairman*)  
Mr. TAO Paul (*also known as TAOCHAIFU Porn*) (Managing Director)  
Mr. KONG Mui Sum Lawrence  
Mr. YIM Chun Leung

#### Non-Executive Director

The Hon. CHAN Bernard Charnwut

#### Independent Non-Executive Directors

Mr. WONG Gary Ka Wai  
Mr. SUN Leland Li Hsun  
Mr. CHAN Norman Enrique

In accordance with the Company's articles of association, Mr. TAOCHAIFU Choofuang, Mr. TAO Paul and Mr. WONG Gary Ka Wai will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company considers such Directors to be independent.

### Biographical Details of Directors and Senior Management

Biographical details of the Directors and senior management are set out on pages 12 to 14.

### Directors' Service Contracts

Each of the executive directors of the Company has entered into a service contract with the Company for an initial term of two years commencing on 1 December 2005 (the "Commencement Date"), which will continue thereafter provided that either the Company or the executive director may, after 6 months of the Commencement Date, terminate the appointment of the executive director by giving to the other party not less than 3 months' written notice of termination or by payment in lieu of such notice.

### 集團財務摘要

本集團過去五個財政年度之業績以及資產及負債摘要載於第88頁。

### 購回、出售或贖回上市證券

本公司於本年內並無贖回本公司任何股份，除本公司於本年內發行73,196,818股股份(包括8,196,818股就以股代息而發行之股份)外，本公司及其附屬公司於本年內並無買入或出售本公司任何股份。

### 董事

年內任職的董事如下：

#### 執行董事

陶哲甫先生(別名CF Tao)(主席)  
陶家祈先生(副主席)  
陶錫祺先生(別名TAOCHAIFU Porn)(董事總經理)  
江淼森先生  
嚴振亮先生

#### 非執行董事

陳智思先生

#### 獨立非執行董事

王家偉先生  
孫立勳先生  
陳樂文先生

根據本公司之組織章程細則，陶哲甫先生、陶錫祺先生及王家偉先生將於應屆股東週年大會輪席告退，惟彼符合資格並願意膺選連任。

本公司已取得每位獨立非執行董事根據香港聯合交易所有限公司(「聯交所」)證券上市規則之規定作出之年度獨立性確認函，由此本公司視該等董事為獨立董事。

### 董事及高級管理層之履歷

董事及高級管理層之履歷詳情載於第12至14頁。

### 董事之服務合約

各執行董事已與本公司訂立服務合約，初步任期為二年，由二零零五年十二月一日開始(「開始日期」)，於開始日期的六個月後，本公司或執行董事可終止其執行董事的任命，其中一方可向另外一方發出不少於三個月的書面通知或代通知金。

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The non-executive director and each of the independent non-executive directors of the Company has entered into letters of appointment with the Company for a term of three years commencing on 14 November 2005 and may be terminated by either party by giving one month's written notice.

Save as disclosed above, none of the directors of the Company 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 (except for statutory compensation).

### Directors' Interests in Contracts

Details of Directors' interests in contracts of significance in relation to the Group's business are set out in the section headed "Connected Transaction and Exempt Continuing Connected Transaction" in this report.

### Directors' and Chief Executives' Interests in the Shares and Underlying Shares of the Company

As at 31 December 2006, the Directors had the following interests in the shares and underlying shares of the Company which were recorded in the register required to be kept 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Rules Governing the Listing of Securities of the Stock Exchange ("Listing Rules"):

#### (A) Long position in shares and underlying shares under equity derivatives of the Company

Name of Director 董事姓名	Number of shares 股份數目			Underlying shares (under equity derivatives of the Company) (本公司權益衍生 項目下) 相關 股份數目	Aggregate Interests 權益總額	Approximate percentage of the issued share capital of the Company 本公司已 發行股本之 概約百分比
	Personal Interest 個人權益	Family Interest 家族權益	Corporate Interest 公司權益			
Mr. TAOCHAIFU Choofuang 陶哲甫先生	Nil 無	Nil 無	320,713,896 (Note 1) (附註1)	5,800,000 (Note 2) (附註2)	326,513,896	40.63
Mr. TAO Richard 陶家祈先生	6,767,029	Nil 無	Nil 無	6,400,000 (Note 2) (附註2)	13,167,029	1.85
Mr. TAO Paul 陶錫祺先生	6,767,029	Nil 無	Nil 無	6,400,000 (Note 2) (附註2)	13,167,029	1.85
Mr. KONG Mui Sum Lawrence 江森森先生	1,691,423	Nil 無	Nil 無	6,400,000 (Note 2) (附註2)	8,091,423	1.13
Mr. YIM Chun Leung 嚴振亮先生	822,000	Nil 無	Nil 無	6,400,000 (Note 2) (附註2)	7,222,000	1.01

本公司之非執行董事及各獨立非執行董事已與本公司訂立服務合約，任期由二零零五年十一月十四日起計，任期為三年，若終止其服務合約，其中一方可向另外一方發出一個月的書面通知。

除上文披露者外，本公司之董事與本公司或其附屬公司之間並無訂立任何於毋須賠償(法定賠償除外)情況下可於一年內終止之服務合約。

### 董事的合約權益

董事的合約權益與本集團業務有關重大合約的詳情載於本年報內「關連交易及獲豁免持續關連交易」一節中。

### 董事及主要行政人員於本公司的股份及相關股份中擁有的權益

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(「證券及期貨條例」)第352條所置存的登記冊所示，董事於本公司的股份及相關股份中擁有的權益，或根據聯交所證券上市規則(「上市規則」)所載董事進行證券交易的標準守則須以其他方式知會本公司及聯交所的權益如下：

#### (A) 本公司權益衍生項目下普通股及相關股份之好倉

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### Directors' and Chief Executives' Interests in the Shares and Underlying Shares of the Company (Cont'd)

#### (A) Long position in shares and underlying shares under equity derivatives of the Company (Cont'd)

Notes:

- The shares include the 55,915,750 new shares to be issued and allotted to Belbroughton Limited ("Belbroughton") pursuant to the subscription of new shares by the vendors according to the master transfer agreement dated 17 October 2006 ("Subscriptions") and entered into between certain connected persons of the Company and the Company in relation to the transfers of certain properties in Suzhou Garden Villa and the Subscriptions. Belbroughton is the legal and beneficial owner of 320,713,896 shares. Belbroughton is wholly-owned by Seal United Investments Limited ("Seal United"), the entire issued share capital of which is owned by Mr. TAOCHAI FU Choofuang ("Mr. CF Tao") and his spouse, Mrs. TAO POON Lai Yew Nancy ("Mrs. Nancy Tao") in equal proportion. Accordingly, Seal United as well as Mr. CF Tao and Mrs. Nancy Tao are deemed to be interested in 320,713,896 shares held by Belbroughton.
- Share options were granted on 4 April 2006. Details of share options granted to the Directors of the Company are set out in part (B) of this section.

#### (B) Long position in underlying shares — share options

Under the share option scheme of the Company, share option may be granted to certain participants including the Directors and employees of the Company and its subsidiaries to subscribe for the shares of the Company. Details of share options granted to Directors of the Company are as follows:

Name of Director	Date of grant	Exercisable Period	Number of share options			Subscription price per share HK\$
			Balance at 1 January 2006	Exercised during the year	Balance at 31 December 2006	
董事名稱	授出日期	行使期間	於 二零零六年 一月一日 之餘額	於年內 行使	於 二零零六年 十二月 三十一日 之餘額	每股之 認購價 港元
Mr. TAOCHAI FU Choofuang 陶哲甫先生	4 April 2006 二零零六年 四月四日	10 April 2006 to 9 April 2009 二零零六年四月十日 至 二零零九年四月九日	Nil 無	Nil 無	5,800,000 5,800,000	0.86 0.86
Mr. TAO Richard 陶家祈先生	4 April 2006 二零零六年 四月四日	10 April 2006 to 9 April 2009 二零零六年四月十日 至 二零零九年四月九日	Nil 無	Nil 無	6,400,000 6,400,000	0.86 0.86
Mr. TAO Paul 陶錫祺先生	4 April 2006 二零零六年 四月四日	10 April 2006 to 9 April 2009 二零零六年四月十日 至 二零零九年四月九日	Nil 無	Nil 無	6,400,000 6,400,000	0.86 0.86
Mr. KONG Mui Sum Lawrence 江焱森先生	4 April 2006 二零零六年 四月四日	10 April 2006 to 9 April 2009 二零零六年四月十日 至 二零零九年四月九日	Nil 無	Nil 無	6,400,000 6,400,000	0.86 0.86
Mr. YIM Chun Leung 嚴振亮先生	4 April 2006 二零零六年 四月四日	10 April 2006 to 9 April 2009 二零零六年四月十日 至 二零零九年四月九日	Nil 無	Nil 無	6,400,000 6,400,000	0.86 0.86

### 董事及主要行政人員於本公司的股份及相關股份中擁有的權益 (續)

#### (A) 本公司權益衍生項目下普通股及相關股份之好倉 (續)

附註：

- 該等股份包括根據賣方按本公司若干關連人士及本公司就轉讓蘇州錦華苑之若干物業以及認購事項而於二零零六年十月十七日訂立之主要轉讓協議而認購之55,915,750股新股，而將發行及配發予 Belbroughton Limited (「Belbroughton」) 之新股份 (「認購事項」)。Belbroughton 為 320,713,896 股股份的合法實益擁有人。Belbroughton 乃由 Seal United Investments Limited (「Seal United」) 全資擁有，其全數已發行股本為陶哲甫先生 (「陶哲甫先生」) 及陶潘麗瑤女士 (「陶潘麗瑤女士」，為陶哲甫先生的配偶) 按相等比例擁有。因此，Seal United 連同陶哲甫先生及陶潘麗瑤女士被視為於 Belbroughton 所持有之該等 320,713,896 股股份擁有權益。
- 購股權乃於二零零六年四月四日授出。授予本公司董事之購股權詳情乃載於本節(B)項下。

#### (B) 相關股份之好倉 — 購股權

根據本公司之購股權計劃，購股權可授予若干參與人 (包括董事及本公司及其附屬公司之職員) 以認購本公司之股份。授予本公司董事之購股權詳情如下：

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### Directors' and Chief Executives' Interests in the Shares and Underlying Shares of the Company (Cont'd)

#### (B) Long position in underlying shares — share options (Cont'd)

Save as disclosed above, none of the Company's Directors, chief executives and their associates, had any interests or short positions in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO at the date of this report.

### Substantial Shareholders' Interests in Shares and Underlying Shares of the Company

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 31 December 2006, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital:

#### Long position in shares

Name	Personal interest	Corporate interest	Total	Approximate percentage of the Company's issued share capital
名稱	個人權益	公司權益	總計	本公司已發行股本之概約百分比
Belbroughton Limited (Note 1)	Nil	320,713,896	320,713,896	39.91%
Belbroughton Limited (附註1)	無	320,713,896	320,713,896	39.91%
Seal United Investments Limited (Note 1)	Nil	320,713,896	320,713,896	39.91%
Seal United Investments Limited (附註1)	無	320,713,896	320,713,896	39.91%
Mrs. TAO POON Lai Yew Nancy (Note 1)	Nil	320,713,896	320,713,896	39.91%
陶潘麗瑤女士 (附註1)	無	320,713,896	320,713,896	39.91%
Mr. TAO Shing Pee (Note 2)	148,257,660	Nil	148,257,660	18.45%
陶欣伯先生 (附註2)	148,257,660	無	148,257,660	18.45%
Oriental Pearl International Inc. (Note 3)	Nil	41,003,200	41,003,200	5.75%
Oriental Pearl International Inc. (附註3)	無	41,003,200	41,003,200	5.75%
Mr. KINOSHITA James Hajime (Note 3)	Nil	41,003,200	41,003,200	5.75%
木下一先生 (附註3)	無	41,003,200	41,003,200	5.75%
Mrs. KINOSHITA CHEUNG Yuen Shiu Lana (Note 3)	Nil	41,003,200	41,003,200	5.75%
木下張婉笑女士 (附註3)	無	41,003,200	41,003,200	5.75%
Spinnaker Capital Limited (Note 4)	Nil	65,000,000	65,000,000	9.11%
Spinnaker Capital Limited (附註4)	無	65,000,000	65,000,000	9.11%
Spinnaker Asset Management — SAM Limited (Note 4)	Nil	65,000,000	65,000,000	9.11%
Spinnaker Asset Management-SAM Limited (附註4)	無	65,000,000	65,000,000	9.11%

### 董事及主要行政人員於本公司的股份及相關股份中擁有的權益 (續)

#### (B) 相關股份之好倉 — 購股權 (續)

除上文披露者外，本公司之董事、主要行政人員或彼等之聯繫人概無於本公司或其任何相聯法團之股份及相關股份擁有任何權益或淡倉，而需按證券及期貨條例第352條於本報告日期予以記錄。

### 主要股東於本公司的股份及相關股份中擁有的權益

根據證券及期貨條例第XV部第336條須予存置的登記冊所示，於二零零六年十二月三十一日，本公司之主要股東（為本公司之發行股本的5%或以上）已通知本公司有關之權益，詳情如下：

#### 股份之好倉

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### Substantial Shareholders' Interests in Shares and Underlying Shares of the Company (Cont'd)

#### Long position in shares (Cont'd)

Notes:

1. The shares include the 55,915,750 new shares to be issued and allotted to Belbroughton pursuant to the Subscription. Belbroughton is the legal and beneficial owner of 320,713,896 shares. Belbroughton is wholly-owned by Seal United, the entire issued share capital of which is owned by Mr. CF Tao and his spouse, Mrs. Nancy Tao in equal proportion. Accordingly, Seal United as well as Mr. CF Tao and Mrs. Nancy Tao are deemed to be interested in 320,713,896 shares held by Belbroughton.
2. The shares include the 34,101,460 new shares to be issued and allotted to Mr. TAO Shing Pee pursuant to the Subscriptions. Mr. TAO Shing Pee is the brother of Mr. CF Tao.
3. Oriental Pearl International Inc. is the legal and beneficial owner of 41,003,200 shares, which is owned by Mr. KINOSHITA James Hajime and Mrs. KINOSHITA CHEUNG Yuen Shiu Lana in equal proportion. Accordingly, Mr. KINOSHITA James Hajime and Mrs. KINOSHITA CHEUNG Yuen Shiu Lana, both being independent third parties, are deemed to be interested in 41,003,200 shares.
4. Spinnaker Capital Limited and Spinnaker Asset Management — SAM Limited are investment managers and each of them is deemed to be interested in the shares held by Spinnaker Global Emerging Markets Fund Limited, Spinnaker Global Opportunity Fund Limited and Spinnaker Global Strategic Fund Limited, which holds approximately 4.55%, 1.91% and 2.64% interests in the shares, respectively.
5. The percentage of Belbroughton, Seal United, Mrs. Nancy Tao and Mr. TAO Shing Pee takes into account the aggregate of 90,017,210 new shares to be issued and allotted to Belbroughton and Mr. TAO Shing Pee pursuant to the Subscriptions while that of Oriental Pearl International Inc., Mr. KINOSHITA James Hajime, Mrs. KINOSHITA CHEUNG Yuen Shiu Lana, Spinnaker Capital Limited and Spinnaker Asset Management — SAM Limited does not take into account the new shares to be issued and allotted pursuant to the Subscriptions.

### Share Options

Details of the Company's share option scheme are set out in note 27 to the financial statements.

### Major Suppliers and Customers

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
— the largest supplier	46%
— five largest suppliers combined	79%
Sales	
— the largest customer	2%
— five largest customers combined	7%

None of the directors of the Company 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.

### 主要股東於本公司的股份及相關股份中擁有的權益(續)

#### 股份之好倉(續)

附註：

1. 該等股份包括55,915,750股根據認購事項而將發行及配發予Belbroughton之新股份。Belbroughton為320,713,896股股份的合法實益擁有人。Belbroughton乃由Seal United全資擁有，其全數已發行股本為陶哲甫先生及其配偶陶潘麗瑤女士按相等比例擁有。因此，Seal United連同陶哲甫先生及陶潘麗瑤女士被視為於Belbroughton所持有之該等320,713,896股股份擁有權益。
2. 該等股份包括34,101,460股根據認購事項而將發行及配發予陶欣伯先生之新股份。陶欣伯先生乃陶哲甫先生的胞兄。
3. Oriental Pearl International Inc.為41,003,200股股份的合法實益擁有人，其由木下一先生及木下張婉笑女士按相等比例擁有。因此，獨立第三方木下一先生及木下張婉笑女士被視為於該等41,003,200股股份擁有權益。
4. Spinnaker Capital Limited及Spinnaker Asset Management — SAM Limited及投資經理，彼等各視作於Spinnaker Global Emerging Markets Fund Limited、Spinnaker Global Opportunity Fund Limited及Spinnaker Global Strategic Fund Limited所持有之股份中享有權益，其享有權益之比率分別約為4.55%、1.91%及2.64%。
5. Belbroughton、Seal United、陶潘麗瑤女士及陶哲甫先生之比率已計及合共90,017,210股根據認購事項將發行及配發予Belbroughton及陶欣伯先生之新股份，而Oriental Pearl International Inc.、木下一先生、木下張婉笑女士、Spinnaker Capital Limited及Spinnaker Asset Management — SAM Limited之比率並未計及根據認購事項將予發行及配發之新股份。

### 購股權

有關本公司之購股權計劃詳情載於財務報表附註27。

### 主要供應商及客戶

本集團主要供應商及客戶所佔採購及銷售百分率如下：

採購額	
— 最大供應商	46%
— 五大供應商合併計算	79%
銷售額	
— 最大客戶	2%
— 五大客戶合併計算	7%

概無本公司董事或其任何聯繫人士或任何股東(就董事所知擁有本公司已發行股本5%以上)於本年度任何時間擁有本集團五大客戶之實益權益。

### Connected Transaction

During the year, the Group had the following connected transaction, certain details of which are disclosed in compliance with the requirements of the Listing Rules.

#### Acquisition of certain properties in Suzhou and subscription of new shares

On 17 October 2006, certain connected parties (including Ms. TAO Miriam (daughter of the Chairman), Mr. TAO Richard (the Vice Chairman), Ms. HON Hing Tong Patricia (spouse of the Managing Director), Ms. TAO Yi Hou Mildred (niece of the Chairman), Ms. ONG Ker Shing (daughter of Ms. TAO Yi Hou Mildred), Eastside Properties Limited (owned by Ms. TAO Miriam in trust for Mrs. TAO POON Lai Yew Nancy), Cosmopolitan Group Limited (owned by Ms. TAO Miriam), Lakeside Consultants Limited (owned by Mr. TAO Richard) and Lanick Group Limited (owned by Mr. TAO Paul, the Managing Director) as vendors entered into a master transfer agreement with the Company pursuant to which the vendors agreed to transfer a total of 82 units in Suzhou Garden Villa ("Suzhou Properties") to the Group for an aggregate consideration of RMB87,975,000, which is to be satisfied in cash in full (the "Master Transfer Agreement"). Pursuant to the Master Transfer Agreement, the vendors also agreed to subscribe for not more than an aggregate of 90,017,210 shares at the consideration of HK\$0.6405 per share. Up to 55,915,750 new shares and 34,101,460 new shares will be issued and allotted to Belbroughton and Mr. TAO Shing Pee, respectively, as directed by the vendors.

### Exempt Continuing Connected Transaction

#### 1. Fitness club agreement

In November 2004, SGVDM entered into an agreement with 上海克拉克海奇健身有限公司 (Clark Hatch Fitness Centers (Shanghai) Ltd.) ("Clark Hatch Shanghai") (Mr. TAO Paul, the Managing Director, has indirect interest) (which was subsequently supplemented by a supplemental agreement dated 18 September 2005 made between the same parties) (collectively, the "Fitness Club Agreement"), pursuant to which SGVDM provides Clark Hatch Shanghai with the sports and fitness club house with facilities located on the 3rd Floor, Block 11, Suzhou Garden Court (the "Club House"), and Clark Hatch Shanghai provides cleaning, maintenance, repair, operation and janitorial services for the Club House, for a term of 3 years commencing on 1 January 2005. During the term, Clark Hatch Shanghai is required to pay SGVDM a monthly rental in a sum (i) of RMB60,000 or (ii) equal to 30% of the monthly gross revenues (before taxes) received by Clark Hatch Shanghai from the operation of Club House, whichever is higher.

### 關連交易

年內，以下為本集團之關連交易，其某些詳情已遵守上市規則的規定披露。

#### 收購蘇州之若干物業及認購新股份

於二零零六年十月十七日，若干關連人士(包括陶蘊怡女士(主席之女兒)、陶家祈先生(副主席)、韓慶棠女士(董事總經理之配偶)、TAO Yi Hou Mildred女士(主席之姪女)、ONG Ker Shing女士(TAO Yi Hou Mildred女士之女兒)、東方物業有限公司(由陶蘊怡女士以信託方代陶潘麗瑤女士全資擁有)、世界性集團有限公司(由陶蘊怡女士擁有)、湖濱諮詢有限公司(由陶家祈先生擁有)及朗利集團有限公司(董事總經理陶錫祺先生擁有))作為賣方，與本公司訂立一項物業轉讓框架協議(「物業轉讓框架協議」)，據此，賣方同意轉讓蘇州錦華苑合共82個單位(「蘇州物業」)，總代價為人民幣87,975,000元，並將全數以現金支付。根據物業轉讓框架協議，賣方亦同意按每股0.6405港元之代價，認購合共不超過90,017,210股股份。根據賣方之指示，將發行及配發予Belbroughton及陶欣伯先生之新股份最多分別為55,915,750股及34,101,460股。

### 獲豁免持續關連交易

#### 1. 健身會所協議

二零零四年十一月，錦華苑建設與上海克拉克海奇健身有限公司(「上海克拉克」)(由董事總經理陶錫祺先生擁有間接權益)簽訂一份協議(該協議其後由上述協議雙方所訂立日期為二零零五年九月十八日的補充協議補充)(統稱「健身會所協議」)；據此，錦華苑建設向上海克拉克提供位於錦麗苑11座3樓的體育及健身會所連設施(「會所」)；而上海克拉克則為會所提供清潔、保養、維修、營運及庶務服務，由二零零五年一月一日開始，為期三年。於年內，上海克拉克須向錦華苑建設支付月租合共(i)人民幣60,000元或(ii)相等於上海克拉克於經營會所所得每月總收益(除稅前)30%(以較高者為準)。

# Directors' Report

## 董事會報告

### Exempt Continuing Connected Transaction (Cont'd)

#### 1. Fitness club agreement (Cont'd)

As disclosed in the Prospectus, based on the consideration and analysis of the budget provided by Clark Hatch Shanghai for the revenues of the Club House for each of the 3 years ending 31 December 2007, the Directors then anticipated that the annual caps for the annual rental to be received by the Group from Clark Hatch Shanghai under the Fitness Club Agreement for the 3 years ending 2007 will be RMB864,000, RMB1,369,500 and RMB1,503,900 respectively. The transactions contemplated under the Fitness Club Agreement for the year ending 31 December 2005 was exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. However, in respect of the maximum annual rental then anticipated to be received from Clark Hatch Shanghai for each of the 2 years ending 31 December 2007, the transactions contemplated under the Fitness Club Agreement for each of the 2 years ending 31 December 2007 are subject to the reporting and announcement requirements under the Listing Rules. In 2005, the Company has applied to the Stock Exchange for and the Stock Exchange has granted a waiver from strict compliance with the announcement requirement under Rule 14A.47 of the Listing Rules in respect of the transactions contemplated under the Fitness Club Agreement for the 2 years ending 31 December 2007.

Since the total annual rental received and receivable by the Group from Clark Hatch Shanghai under the Fitness Club Agreement for the year ending 31 December 2006 was RMB752,544 (subject to further adjustment of not more than RMB50,000 (if necessary) pending for the finalization of 2006 audited accounts of Clark Hatch Shanghai (Suzhou Branch)), therefore the transactions contemplated under the Fitness Club Agreement for the year ending 31 December 2006 was exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

The independent non-executive directors have confirmed that the above continuing connected transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the above relevant agreements on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole. The auditors of the Company have also confirmed that (i) the above continuing connected transaction has been approved by the Board of Directors of the Company; (ii) the transaction was entered into at amounts consistent with the pricing policies as stated in the Company's prospectus dated 22 November 2005; (iii) on terms no less favourable than those available to or from independent third parties; and (iv) the aggregate amount of the transaction has not exceeded the relevant caps in the financial year ended 31 December 2006.

#### 2. Motor vehicle lease agreement

On 1 February 2005, New Heritage Management Limited ("NH Management"), an indirect wholly-owned subsidiary of the Company, entered into a motor vehicle lease agreement with HY Automotive Holdings Limited (beneficially owned by Mr. CF Tao and his family members) for the lease of two private motor vehicles for a term of one year commencing from 1 February 2005 at an aggregate rental of HK\$16,000 per month. The lease agreement was terminated with effect from 1 February 2006.

### 獲豁免持續關連交易 (續)

#### 1. 健身會所協議 (續)

誠如招股章程所披露，根據該代價及上海克拉克健身會所截至二零零七年十二月三十一日止三個年度各年收益所提供的預算分析，董事當時預期，本集團根據健身會所協議向上海克拉克收取截至二零零七年止三個年度的每年租金的上限將分別為人民幣864,000元、人民幣1,369,500元及人民幣1,503,900元。根據上市規則，截至二零零五年十二月三十一日止年度健身會所協議項下進行的交易獲豁免遵守上市規則有關申報、公佈及獲得獨立股東批准的規定。然而，就截至二零零七年十二月三十一日止兩個年度各年當時預期向上海克拉克收取每年租金的最高額而言，截至二零零七年十二月三十一日止兩個年度各年健身會所協議項下進行的交易須遵守上市規則有關申報及公佈的規定。於二零零五年，本公司已向聯交所申請，而聯交所亦已豁免本公司截至二零零七年十二月三十一日止兩個年度各年健身會所協議項下進行的交易，須嚴格遵守上市規則第14A.47條有關申報的規定。

由於本集團根據健身會所協議於截至二零零六年十二月三十一日止年度自上海克拉克已收及應收年租共人民幣752,544元(待上海克拉克(蘇州分店)二零零六年經審核賬目定案後，將進一步作不超過人民幣50,000元之調整(如有需要))，故此，截至二零零六年十二月三十一日止年度，根據健身會所協議進行之交易已獲豁免遵守上市規則有關申報、公佈及獲得獨立股東批准的規定。

獨立非執行董事已確認上述持續關連交易乃(i)本集團之日常及一般業務過程；(ii)按一般商業條款，或向本集團提供之條款不遜於向獨立第三者或由獨立第三者提供之條款；及(iii)根據上述有關協議按公平合理，且符合本公司股東整體利益之條款訂立。本公司之核數師亦已確認(i)上述持續關連交易已獲本公司董事會批准；(ii)該交易乃根據本公司於二零零五年十一月二十二日刊發之招股章程內之定價政策；(iii)不遜於向獨立第三者或由獨立第三者提供之條款；以及(iv)於截至二零零六年十二月三十一日財務年度，該交易之總額並無超過相關上限。

#### 2. 汽車租賃協議

二零零五年二月一日，本公司之間接全資附屬公司新澤管理有限公司(「新澤管理」)與HY Automotive Holdings Limited(由陶哲甫先生及其家庭成員實益擁有)，就租賃兩輛私家汽車簽訂一份汽車租賃協議。租期由二零零五年二月一日開始，為期一年，每月租金合共16,000港元。該租賃協議已於二零零六年二月一日終止。



### Exempt Continuing Connected Transaction (Cont'd)

#### 3. Tenancy agreement of Hong Kong office

On 21 March 2005, NH Management as tenant entered into a tenancy agreement with Fontwell Holdings Limited (beneficially owned by Mr. CF Tao and his family members) as landlord for the lease of Room 2301, 23rd Floor, Fortis Bank Tower, Nos.77-79 Gloucester Road, Hong Kong and Nos.117-119 Jaffe Road, Hong Kong for the use by the Group at a monthly rental of HK\$49,000, exclusive of government rates and management fees, for a term of one year commencing on 1 February 2005 and expiring on 31 January 2006. On 25 January 2006, the tenancy agreement was renewed at a monthly rental of HK\$72,000, exclusive of government rates and management fees, for a term of one year commencing on 1 February 2006 and expiring on 31 January 2007. On 25 January 2007, the tenancy agreement was further renewed at a monthly rental of HK\$78,000, exclusive of government rates and management fees, for a term of one year commencing on 1 February 2007 and expiring on 31 January 2008.

#### 4. Licence agreement

On 21 March 2005, NH Management as licensee entered into a licence agreement with Fontwell Holdings Limited as licensor for obtaining the licence to use by the Group of car parking spaces nos. 28 and 51 on the 2nd Floor of Fortis Bank Tower, Nos.77-79 Gloucester Road, Hong Kong and Nos.117-119 Jaffe Road, Hong Kong at a monthly licence fee of HK\$7,000, exclusive of government rates and management fees, for a term of one year commencing from 1 February 2005 to 31 January 2006. On 25 January 2006, the above licence agreement was renewed at a monthly licence fee of HK\$7,000, exclusive of government rates and management fees, for a term of one year commencing on 1 February 2006 and expiring on 31 January 2007. On 25 January 2007, the licence agreement was further renewed at a monthly licence fee of HK\$5,000, exclusive of government rates and management fees, for a term of one year commencing from 1 February 2007 to 31 January 2008.

#### 5. Two tenancy agreements of residential property developed by the Group

On 2 November 2004, through an agent, Mr. TAO Richard, one of the executive directors, as landlord entered into a tenancy agreement with Suzhou Garden Villa Development and Management Co., Ltd., ("SGVDM"), a subsidiary of the Company, pursuant to which SGVDM has leased from Mr. TAO Richard the premises developed by SGVDM known as Unit 8B, Jin Shing Apartment, No. 38 Shi Shan Road, New District, Suzhou, the PRC at a monthly rental of RMB14,904, exclusive of all outgoings, for a term of 2 years commencing on or before 4 December 2004.

On the same day, through the same agent, Mr. TAO Richard as landlord entered into another tenancy agreement with SGVDM, pursuant to which SGVDM has leased from Mr. TAO Richard the premises developed by SGVDM known as Unit 8D, Jin Shing Apartment, No. 38 Shi Shan Road, New District, Suzhou, the PRC for a monthly rental of RMB12,420, exclusive of all outgoings, for a term of 2 years commencing on or before 4 December 2004.

### 獲豁免持續關連交易 (續)

#### 3. 香港辦事處之租賃協議

二零零五年三月二十一日，新澤管理(作為承租人)與Fontwell Holdings Limited(陶哲甫先生及其家庭成員最終實益擁有)(作為業主)就租賃香港告士打道77-79號及香港謝斐道117-119號華比富通大廈23樓2301室以供本集團使用而簽訂一份租賃協議，月租49,000港元，不包括政府差餉及管理費，租期由二零零五年二月一日開始，至二零零六年一月三十一日屆滿，為期一年。於二零零六年一月二十五日，該租賃協議已被續期，月租72,000港元，不包括政府差餉及管理費，租期由二零零六年二月一日開始，至二零零七年一月三十一日屆滿，為期一年。於二零零七年一月二十五日，該租賃協議已被再次續期，月租78,000港元，不包括政府差餉及管理費，租期由二零零七年二月一日開始，至二零零八年一月三十一日屆滿，為期一年。

#### 4. 特許協議

於二零零五年三月二十一日，新澤管理(作為特許用人)與Fontwell Holdings Limited(作為特許人)就領取香港告士打道77-79號及香港謝斐道117-119號華比富通大廈2樓第28及51號泊車位的許可證以供本集團使用而簽訂一份特許協議，許可證月費為7,000港元，不包括政府差餉及管理費，由二零零五年二月一日開始，至二零零六年一月三十一日屆滿，為期一年。於二零零六年一月二十五日，上述特許協議已被續期，許可證月費為7,000港元，不包括政府差餉及管理費，租期由二零零六年二月一日開始，至二零零七年一月三十一日屆滿，為期一年。於二零零七年一月二十五日，該特許協議已獲再次續期，許可證月費為5,000港元，不包括政府差餉及管理費，由二零零七年二月一日開始，至二零零八年一月三十一日屆滿，為期一年。

#### 5. 由本集團發展之住宅物業的兩項租賃協議

二零零四年十一月二日，其中一位執行董事陶家祈先生(作為業主)透過一名代理與本公司一間附屬公司蘇州錦華苑建設發展管理有限公司(「錦華苑建設」)簽訂一份租賃協議；據此，錦華苑建設已向陶家祈先生租入位於中國蘇州市新區獅山路38號錦興樓8B室的物業，月租為人民幣14,904元，不包括所有開支，租期於二零零四年十二月四日或之前開始，為期兩年。

同日，陶家祈先生(作為業主)透過同一名代理與錦華苑建設簽訂另一份租賃協議；據此，錦華苑建設已向陶家祈先生租入位於中國蘇州市新區獅山路38號錦興樓8D室的物業，月租為人民幣12,420元，不包括所有開支，租期於二零零四年十二月四日或之前開始，為期兩年。

# Directors' Report

## 董事會報告

### Exempt Continuing Connected Transaction (Cont'd)

#### 6. Landscaping and maintenance contract

On 1 January 2006, SGVDM entered into a landscaping and maintenance contract with 蘇州新繼園林綠化有限公司 (Suzhou New Heritage Trees & Landscaping Co., Ltd.) ("SNHTL") (Mr. CF Tao and Mr. TAO Paul, two of the executive directors, have indirect interest) pursuant to which SNHTL provides landscaping and maintenance services to SGVDM in respect of phases 2 and 3 and commercial centre of Suzhou Garden Villa for an annual fee of RMB44,000 for a period of one year commencing on 1 January 2006 to 31 December 2006.

#### 7. Lease management agreements

On 9 October 2006, 蘇州錦華苑建設發展管理有限公司物業管理分公司 (the property management unit of SGVDM) entered into a total of 48 lease management agreements with certain connected parties (including Ms. TAO Miriam (daughter of the Chairman), Mr. TAO Richard (the Vice Chairman), Ms. HON Hing Tong Patricia (spouse of the Managing Director), Cosmopolitan Group Limited (owned by Ms. TAO Miriam), Eastside Properties Limited (owned by Ms. TAO Miriam in trust for Mrs. TAO Poon Lai Yew Nancy, spouse of the Chairman), Lakeside Consultants Limited (owned by Mr. TAO Richard) and Lanick Group Limited (owned by Mr. TAO Paul, the Managing Director)) (collectively the "Connected Parties") in respect of the provision of services relating to lease management of 48 units in Suzhou Garden Villa, the property developed by SGVDM and owned by the Connected Parties. Under the lease management agreements, SGVDM is entitled to receive a monthly service fee of RMB400 in relation to the lease management services provided by SGVDM for the tenancy agreements (if any) entered into by the Connected Parties with the tenants on or after 1 December 2005.

During the year, service fee amounting to RMB112,800 have been received by SGVDM pursuant to the above lease management agreements.

### Directors' Interest in Competing Business

Mr. CF Tao, Chairman of the Company, and his family members (including Mr. TAO Richard, Vice Chairman and Mr. TAO Paul, Managing Director) are interested in certain properties in PRC which may constitute a competing business to the Group including, 48 apartments in Suzhou Garden Villa (which form part of the Suzhou Properties) and two villas in Suzhou Garden Court developed by SGVDM.

Pursuant to the non-competition deed dated 16 November 2005 signed by Mr. CF Tao and his spouse ("Mr. and Mrs. Tao") in favour of the Company (the "Deed"), Mr. and Mrs. Tao have undertaken to the Company to make necessary arrangements as stated in the Deed to avoid competing the business of the Group. Details of such arrangements have already been disclosed in the Prospectus.

### Corporate Governance

A report on the principal corporate governance practices adopted by the Company is set out on pages 26 to 31 of this report.

### 獲豁免持續關連交易 (續)

#### 6. 美化及保養合約

二零零六年一月一日，錦華苑建設與蘇州新繼園林綠化有限公司(「新繼園林綠化」)(兩位執行董事陶哲甫先生及陶錫祺先生擁有間接權益)簽訂一份美化及保養合約；據此，新繼園林綠化向錦華苑建設提供錦華苑二期及三期以及商業中心的美化及保養服務，年費為人民幣44,000元，於二零零六年一月一日開始，至二零零六年十二月三十一日屆滿，為期一年。

#### 7. 租賃管理安排

於二零零六年十月九日，蘇州錦華苑建設發展管理有限公司物業管理分公司(錦華苑建設之物業管理單位)與若干關連人士(包括陶蘊怡女士(主席之女兒)、陶家祈先生(副主席)、韓慶棠女士(董事總經理之配偶)、世界性集團有限公司(由陶蘊怡女士擁有)、東方物業有限公司(由陶蘊怡女士以信託方代陶潘麗瑤女士全資擁有)、湖濱諮詢有限公司(由陶家祈先生擁有)及朗利集團有限公司(董事總經理陶錫祺先生擁有))(統稱為「關連人士」)訂立之合共48項租賃管理安排，內容有關就蘇州錦華苑內48個單位之租賃管理安排所提供之服務，其由錦華苑建設所發展，並由關連人士持有。根據租賃管理安排，錦華苑建設可根據關連人士與承租人於二零零五年十二月一日或以後訂立之租賃協議(如有)，由其提供租賃管理服務，並按月收取人民幣400元之服務費。

於本年度，錦華苑建設已根據上述租賃管理安排已收取人民幣112,800元之服務費。

### 董事於競爭業務之權益

陶哲甫先生(本公司主席)及其家庭成員(包括副主席陶家祈先生及董事總經理陶錫祺先生)乃於中國某些物業持有權益，其可能構成與本集團競爭業務，其中包括由錦華苑建設發展的錦華苑48間公寓(構成蘇州物業之一部份)及蘇州錦麗苑兩間別墅。

根據日期為二零零五年十一月十六日由陶哲甫先生及其配偶(「陶先生及陶太太」)簽訂之不競爭契約(「契約」)，陶先生及陶太太已向本公司承諾採取契約內訂明之必要安排以避免與本集團業務競爭。該項安排之詳情已於招股章程內披露。

### 企業管治

本公司所採納的主要企業管治常規的報告，載於本年報第26至31頁。

### Sufficiency of 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.

### Subsequent Events

Details of the subsequent events of the Group are set out in note 36 to the financial statements.

### Auditors

The Company's auditors, Grant Thornton retire and, being eligible, offer themselves for re-appointment. A resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

**TAOCHAIFU Choofuang**  
*Chairman*

Hong Kong, 30 March 2007

### 足夠的公眾持股量

根據本公司可從公開途徑取得的資料及就本公司董事所知，於本年報日期，本公司已發行股份之公眾持股量為不少於25%。

### 結算日後事項

本集團之結算日後事項之詳情載於財務報表附註36。

### 核數師

本公司核數師均富會計師行將任滿告退，彼符合資格並願膺選連任。有關續聘均富會計師行為本公司核數師之決議案將於應屆股東週年大會提呈。

代表董事會

主席  
陶哲甫

香港，二零零七年三月三十日