By Division

	Properties HK$'000	Trading HK$'000	Unallocated HK$'000	Total HK$'000
Turnover	203,075	72,881	—	275,956
Cost of goods sold	(95,416)	(64,345)	—	(159,761)
	107,659	8,536	—	116,195
Other revenues	—	—	15,429	15,429
Other operating income	57,593	32	61,667	119,292
Administrative expenses	(117,781)	(7,675)	(5,591)	(131,047)
Other operating expenses	(6,448)	—	—	(6,448)
Change in fair value of investment properties	957,958	—	—	957,958
Operating profit	998,981	893	71,505	1,071,379

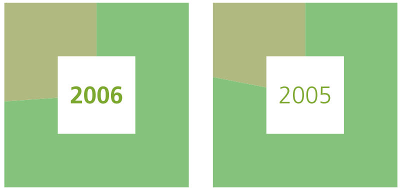
By Geographical Spread

	Hong Kong HK$'000	Mainland China HK$'000	Singapore HK$'000	Japan HK$'000	Total HK$'000
Turnover	10,780	177,785	14,510	72,881	275,956
Cost of goods sold	(43,579)	(45,246)	(6,591)	(64,345)	(159,761)
	(32,799)	132,539	7,919	8,536	116,195
Other revenues	12,340	2,384	649	56	15,429
Other operating income	48,505	68,719	2,036	32	119,292
Administrative expenses	(83,391)	(37,750)	(2,200)	(7,706)	(131,047)
Other operating expenses	(6,301)	(95)	(52)	—	(6,448)
Change in fair value of investment properties	27,549	925,527	4,882	—	957,958
Operating (loss)/profit	(34,097)	1,091,324	13,234	918	1,071,379

Turnover by Division

For the year ended 31December 2006

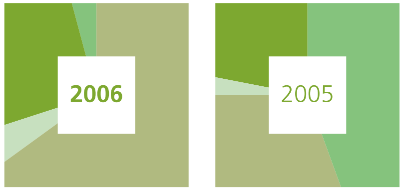
	2006 HK$'000	2005 HK$'000
Properties	203,075	226,330
Trading	72,881	62,977
	275,956	289,307



Turnover by Geographical Spread

For the year ended 31December 2006

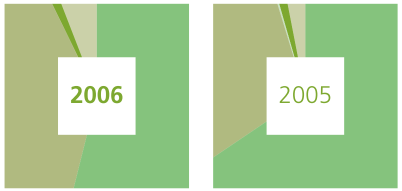
	2006 HK$'000	2005 HK$'000
Hong Kong	10,780	129,115
Mainland China	177,785	88,275
Singapore	14,510	8,940
Japan	72,881	62,977
	275,956	289,307



Employment of Gross Assets

As at 31December 2006

	2006 HK$'000	2005 HK$'000
Properties	6,137,681	5,955,417
Non-current investments	4,477,084	2,690,556
Trading	4,341	10,659
Central services	72,001	136,537
Cash & Bank balances	741,060	255,206
	11,432,167	9,048,375



Gross Assets by Geographical Spread

As at 31December 2006

	2006 HK$'000	2005 HK$'000
Hong Kong	6,320,358	4,745,909
Mainland China	4,923,645	4,126,776
Singapore	178,595	162,374
Japan	9,569	13,316
	11,432,167	9,048,375

REVIEW OF OPERATIONS

Turnover and profit attributable to shareholders for the year ended 31 December 2006 were HK$276 million and HK$230 million respectively, compared to HK$289 million and HK$95 million (excluding discontinued operations of HK$3,549 million) for the last year.

Properties sale during the year continued to improve as a result of the good pre-sale of residential units in various property projects in Shanghai and Hong Kong. Under the current accounting policies, the revenue and profit will be recorded after the development of the projects is completed.

Mainland China

Sales remained strong for the Group's luxury residential development in Shanghai, amidst property market cooling measures from the Central Government in the year. As of the year-end, the Group has pre-sold nearly 90% of Phase I of the Shanghai Westwood. On investment side of the operations, demand for Grade-A office has remained strong, and the Group's Shanghai K. Wah Centre has continued to register 100% occupancy.

(A) Current Major Development Properties (total gross floor area ("GFA") of approximately 2,000,000 square metres)

(i) Shanghai Westwood, No. 701 Guangzhong Road, Da Ning International Community (100% owned)

Total GFA of this luxurious condominium project is approximately 380,000 square metres. The Group has pre-sold Phase I (GFA of which is about 140,000 square metres) with handover scheduled for the middle of this year. The Group is starting the development of Phase II (GFA of approximately 140,000 square metres) this year and Phase III (GFA of approximately 100,000 square metres) by 2009.

(ii) Shanghai — Lot A&B No. 68 Jianguo Xi Road, Xuhui District (100% owned)

The project is located in Shanghai's traditional up-scale residential area with total GFA of approximately 140,000 square metres, The Group is planning an integrated development with luxury residential apartments, high-class commercial facilities and suite hotel/service apartments. Construction work is in progress and completion of the first phase of this development is expected to be around 2009.

(iii) Shanghai — Phase III, Yanjiazhai, Jingan District (99% owned)

Total GFA of this luxurious residential project is approximately 100,000 square metres. Well located at Urumqi Road, Jingan District, the Group is planning a mid-town Manhattan style of residential development. Demolition work is in progress. We have commenced phase construction on this development and expect phase completion by 2009.

(iv) Guangzhou — Xinhua Zhen, Hua Dou City (99.99% owned)

Guangzhou is the trade hub of southern China and demand for commercial accommodations is always strong.

The Group has a sizeable land reserve at Xinhua Zhen, Hua Dou City (total permissible buildable floor area in contemplation of approximately 1,470,000 square metres), and is planning development by stages. We have already started phased development on one of these plots of our land reserve there which has a GFA in contemplation of approximately 47,000 square metres. This phase will see an integrated development with high-class hotel and office accommodation. The rest of the Group's land reserve in Guangzhou has been planned mostly for residential development.

(B) Investment Property

Shanghai K. Wah Centre, Huaihai Zhong Road, Shanghai (35.75% effective interest)

This flagship investment property (totaling approximately 72,000 square metres together with the two ancillary buildings) is located at Huaihai Zhong Road which is a thriving downtown commercial area in the inner ring area of Shanghai. During the year under review, we have maintained full occupancy at this Grade-A office commanding top-end rentals from reputable corporate tenants.

Hong Kong

The Group's The Great Hill and J Residence have both been well received by the market. In the office sector, the leasing market also performed well in 2006. The Group achieved satisfactory occupancy and rental rates with its investment properties.

(A) Current development properties

(i) The Great Hill, Tung Lo Wan Hill Road (100% owned)

GFA is approximately 30,000 square metres and construction work is on schedule with expected completion around the second half of 2007. The Group is timing to roll out sales of the remaining units this year.

(ii) J Residence, Johnston Road, Wan Chai (a joint development with the URA)

The Group has pre-sold almost all the residential units of this downtown project which is a joint development with the Urban Renewal Authority. Upon completion of the project around the third quarter of 2007, it is expected that the commercial portion – the J Senses – will contribute good rental income to the Group.

(iii) No. 6 Shiu Fai Terrace, Hong Kong (100% owned)

The Group is turning this site into another signature luxury residential development (planned GFA : 6,500 square metres).

(B) Other properties in Hong Kong (all 100% owned)

(i) Skyline Commercial Centre, Wing Lok Street, Sheung Wan

This 24-storey centrally located office building has approximately 3,900 square metres of office space and ground floor shops. It has been enjoying near full occupancy and contributing steady rental income to the Group.

(ii) Kingsfield Centre, Shell Street, North Point

This 26-storey commercial building (approximately 1,900 square metres of office space) has been enjoying high occupancy to contribute steady rental income to the Group.

Major Properties in Singapore

San Centre, Chin Swee Road (100% owned)

This 12-storey office building (approximately 5,800 square metres with carparks) has maintained satisfactory occupancy with stable income.

Investment in Galaxy Entertainment Group Limited

The value of this strategic investment has increased from HK$4.375 (at 31 December 2005) to HK$7.28 per share at the close of the year under review enabling the Group to record a change in fair value of approximately HK$1.8 billion as an increase in reserves.

OUTLOOK

The Group is optimistic about its business prospect in Mainland China, on the back of the quality investments which it has already made and the strong brand recognition it enjoys there. The Group's equity joint venture in Shanghai Baoland Co., Ltd. (41.5% owned) has been performing and contribution to the Group's profit is expected.

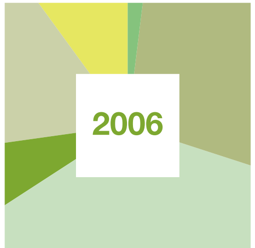
The Group believes the luxurious residential market in Hong Kong will continue to perform, and this optimism is reflected in recent Hong Kong Government land auctions. Since the year-end, the Group has unified title to and is commencing development at its Shiu Fai Terrace property, and has also participated in the joint development of a piece of water-front residential land at Tolo Harbor, Tai Po (estimated GFA approximately 69,657 square metres). The Group has been actively examining investment opportunities in both Mainland China and Hong Kong to strengthen land bank and increase returns on assets.

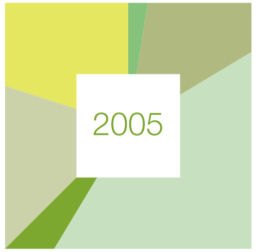
REVIEW OF FINANCE

Sources of Funding

As at 31 December 2006

	2006 HK$'000	2005 HK$'000
Share capital	242,995	237,792
Other reserves	3,174,898	1,245,281
Revenue reserves	4,046,470	3,833,597
Minority interests	856,817	355,968
Borrowings	1,914,731	1,567,857
Current portion of borrowings	1,196,256	1,807,880
	11,432,167	9,048,375





(1) Financial Position

The financial position of the Group remained strong during the year. Total funds employed increased by 26% to HK$11 billion at 31 December 2006 from HK$9 billion at 31 December 2005.

The number of the issued shares of the Company increased as a result of conversion of convertible bonds and the exercise of share options during the year. The dilution effect, however, was offset by the profit earned for the year.

(2) Group Liquidity, Financial Resources and Gearing Ratio

The liquidity position of the Group was satisfactory during the year. As of 31 December 2006, total bank borrowings amounted to HK$3,078 million, and cash and bank balances were HK$741 million to give a net debt of HK$2,337 million. This represented a HK$604 million net debt reduction compared to 31 December 2005, mainly attributable to the presale proceeds received during the year.

Of the total long-term bank borrowings, more than 60% had maturities over a period of one year and above.

The Group successfully arranged a 3/5 years syndicated loan of HK$1,800 million on 6 September 2006 from a consortium of 14 international and leading local banks.

In addition to the aggregate cash balances, the total un-drawn banking facilities of the Group at 31 December 2006 amounted to over HK$2.8 billion. The gearing ratio, defined as the ratio of total loans outstanding less cash balances to total assets, was reduced to a satisfactory level of 17% at 31 December 2006 as compared to 31% for last year.

The Group's liquidity position and gearing ratio stayed at a healthy level and the Group has sufficient funds to meet its commitments and operational requirements.

(3) Treasury Policies

The Group continues to adopt a conservative approach regarding foreign exchange exposure, which is managed to minimize risk. The majority of the Group's borrowings are in Hong Kong Dollars. Forward foreign exchange contracts are utilized when suitable opportunities arise and when considered appropriate, to hedge against foreign exchange exposures. Interest rate swap contracts are also utilized when considered appropriate to avoid the impact of any undue interest rate fluctuation on the operation. During the year, the Group has not engaged in the use of derivative products.

(4) Charges on Group Assets

As of 31 December 2006, investment properties and land and buildings with carrying values of HK$3,229,669,000 (2005: HK$2,016,387,000) and HK$110,313,000 (2005: HK$111,586,000) respectively were pledged to banks to secure the Group's borrowing facilities.

(5) Contingent Liabilities

As of 31 December 2006, the Company has executed guarantees in favor of banks and financial institutions in respect of facilities granted to certain subsidiaries amounting to HK$4,556,608,000 (2005: HK$3,571,683,000) of which HK$2,030,336,000 (2005: HK$2,078,682,000) have been utilized. The Company has also executed guarantees in respect of the convertible bonds issued by a subsidiary the outstanding amount of which as at the end of 2006 is HK$40,000,000 (2005: HK$104,000,000).

The Company has executed a guarantee in favor of the Government of the HKSAR in respect of the obligation of an investee under a contract with the Government of the HKSAR.

EMPLOYEES AND REMUNERATION POLICY

At 31 December 2006, the Group, excluding associated companies and jointly controlled entities, employs 279 employees in Hong Kong and Mainland China. Employee costs, excluding Directors' emoluments, amounted to HK$82 million for 2006.

The Group believes its success and long-term growth and development depends upon the quality, performance and commitment of its employees. The Group's remuneration policy aims to attract, retain and motivate competent individuals based on merits and development potentials. The Group believes the remuneration we offer to our employees is fair and competitive in relation to comparable organizations in the areas in which the Group operates its principal business.

Following approval by the shareholders in 1989, the Group has put in place a share option scheme for executives for the purpose of providing competitive remuneration package to management talents with a view for their long term retention. Likewise in Mainland China, employees' remuneration is commensurate with market pay level, and the Group puts particular emphasis on training and development opportunities.

TRAINING AND DEVELOPMENT

Human talent is the driving force of the Group, and continuous education is a key part in enhancement of the core competence of the Group's work force. To this end, the Group supports a suite of training and development programmes for its employees at various levels.

In 2006, the Group sponsored several company-wide interactive seminars for executives to share among themselves knowledge, experience and good management practices in their respective divisions. These events provide staff with initiatives to enhance their management capabilities and up-date their technical know-how. In addition, the Group also sponsors staff to attend external job-related courses/workshops in Hong Kong and Mainland China organized by the accredited educational institutions and professional bodies. These training programs cover not only technical aspects such as finance, taxation, laws, human resources and information technology but also fundamental development on executives' leadership, business vision and strategies, as well as communication and management skills.

To support the long-term growth and development of the Group's business in Mainland China, we have re-launched the Management Trainee Programme in Shanghai. We recruit and develop high potential graduates from leading universities. Through our structured training programme headed by management staff of various functions, we prepare these promising individuals to become our managers and leaders of the future.