

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

PRINCIPAL ACTIVITIES

The principal activity of the Company continues to be investment holding. The principal activities of its subsidiaries during the year are property development, provision of property development project management and related services.

SEGMENT INFORMATION

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2006 are set out in the consolidated income statement on page 27.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2006.

SHARE CAPITAL

On 16 February 2006, Grand Cosmos Holdings Limited ("Grand Cosmos"), a company wholly-owned by the chairman of the Group, Mr. Yu Pan, acquired the convertible note in a face value of HK\$60 million from the note holder and on 20 February 2006 exercised the conversion right in full to convert the note into 181,818,181 ordinary shares of HK\$0.01 each in the Company at the conversion price of HK\$0.33 per share.

On 3 August 2006, the Company completed an open offer of 267,324,486 ordinary shares of HK\$0.01 each in the Company at HK\$0.90 per share in the proportion of 13 offer shares for every 40 existing shares held with 10 bonus warrants for every 13 offer shares taken up ("Open Offer") and has raised a net proceed of approximately HK\$234.5 million, which was mainly used for the acquisition of 51% equity interest in a subsidiary.

In connection with the Open Offer, a bonus issue of 205,634,220 warrants were issued which are exercisable at an initial subscription price of HK\$1.10 per share at any time during a two-year period ending 2 August 2008 ("2006 Warrants"). The Company will receive net proceeds of approximately HK\$225 million upon the warrants being exercised in full.

During the year ended 31 December 2006, bonus warrant holders exercised their subscription rights to subscribe for 9,901 ordinary shares of HK\$0.01 each in the Company at the initial subscription price of HK\$1.10 per share.

All new shares issued as a result of conversion of convertible note, open offer and exercise of bonus warrants rank pari passu with the existing shares in all respects.

Details of the movements in the Company's share capital during the year are set out in note 29 to the financial statements.

SHARE OPTIONS

The share option scheme was adopted on 4 August 2005 (the "2005 Scheme").

During the year, the Company granted 63,850,000 options to subscribe for the Company's shares under the 2005 Scheme, details of which are disclosed in note 31 to the financial statements.

The closing price of the Company's shares immediately before 12 September 2006, the date of grant of the options was HK\$1.30.

Details of the share option scheme are set out in note 31 to the financial statements.

RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out in [note 30] to the financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's contributed surplus is distributable to shareholders in accordance with the Companies Act 1981 of Bermuda. At 31 December 2006, the Company's reserves available for cash distribution and/or distribution in specie amounted to approximately HK\$33,613,000 (inclusive of the Company's contributed surplus) as computed in accordance with generally accepted accounting principles of Hong Kong. In addition, the Company's share premium account in the amount of approximately HK\$446,902,000 can be distributed in the form of fully paid bonus shares.

PLANT AND EQUIPMENT

Details of movements in plant and equipment of the Group are set out in note 17 to the financial statements respectively.

CONVERTIBLE NOTE

On 20 February 2006, Grand Cosmos exercised the conversion right attached to the convertible note in a face value of HK\$60 million to convert the note into 181,818,181 ordinary shares of HK\$0.01 each in the Company at the conversion price of HK\$0.33 per share. No convertible note was thereafter outstanding at 31 December 2006.

Details of the convertible note of the Company are set out in note 27 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for approximately 83% and 100% respectively of the Group's total sales for the year.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 14.3% and 36.5%, respectively, of the Group's total purchases for the year.

To the knowledge of the directors, none of the directors, their associates, or any shareholders which own more than 5% of the Company's share capital, had any interest in these major customers and suppliers.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year.

DIRECTORS AND SERVICE CONTRACTS

The directors during the year and up to the date of this report were as follows:

Executive Directors

Mr. Yu Pan

Mr. Lau Yat Tung, Derrick

Mr. Wong Lok

Mr. Wen Xiao Bing (appointed on 30 June 2006)

Mr. Zheng Jian Wei (appointed on 11 January 2006 and resigned on 30 June 2006)

Mr. Mai Zhi Hui (resigned on 1 January 2006)

Independent Non-executive Directors

Mr. Choy Shu Kwan

Mr. Cheng Wing Keung, Raymond

Ms. Chung Lai Fong

In accordance with clause 86(2) of the Company's bye-laws, Mr. Wen Xiao Bing, being appointed by the Board during the year and up to the date of this report, shall retire at the forthcoming annual general meeting ("AGM").

Pursuant to clause 87(1) of the Company's bye-laws and the Code on Corporate Governance Practices, Mr. Cheng Wing Keung, Raymond and Ms. Chung Lai Fong will retire at the AGM by rotation. All retiring directors, being eligible, will offer themselves for re-election at the forthcoming AGM.

None of the directors being proposed for re-election at the forthcoming AGM has any 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' INTERESTS IN CONTRACTS

Except as those disclosed in the section of "Connected Transactions" of the report hereinafter, no contracts of significance to which the Company, its holding company or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2006, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required, (i) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii), pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") of the Listing Rules, to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), are as follows:

(a) Interests in the shares and warrants

Name of director	Company/ Associated corporation	Capacity	Number of of shares and warrants (long position)	Approximate shareholding percentage
Mr. Yu Pan	Company	Interest of a controlled corporation	670,526,985 shares (Note 1)	61.52 (Note 2)
Mr. Yu Pan	Grand Cosmos	Beneficial owner	10,000 share of US\$1 each	100

Note:

- (1) These shares comprise (i) 627,791,985 existing shares held by Grand Cosmos; and (ii) 42,735,000 underlying shares which would be issued upon exercise of subscription rights attending to the 42,735,000 2006 warrants.
- (2) For the purpose of this section, the shareholding percentage in the Company is calculated on the basis of 1,089,871,286 shares as at 31 December 2006.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES (Continued)

(b) Interests in share options

Name of director	Exercise price (HK\$)	Exercise period	Number of underlying shares (under share option of the Company)	Approximate shareholding percentage (Note 1)
Mr. Wen Xiao Bing	1.31	13 March 2007 to 31 July 2015	5,000,000	0.46
Mr. Lau Yat Tung, Derrick	1.31	13 March 2007 to 31 July 2015	3,000,000	0.28
Mr. Choy Shu Kwan	1.31	13 March 2007 to 31 July 2015	600,000	0.06
Mr. Cheng Wing Keung, Raymond	1.31	13 March 2007 to 31 July 2015	600,000	0.06
Ms. Chung Lai Fong	1.31	13 March 2007 to 31 July 2015	600,000	0.06

Note:

- (1) For the purpose of this section, the shareholding percentage in the Company is calculated on the basis of 1,089,871,286 shares as at 31st December 2006.

Save as disclosed above, as at 31 December 2006, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required, (i) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to the Model Code of the Listing Rules to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or minor children to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or in any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at 31 December 2006, save for Mr. Yu Pan, the chairman of the Company, being a director and substantial shareholder of a company listed on the Shenzhen Stock Exchange, Lvjing Realestate Co., Ltd., which is engaged in the residential real estate development business, and Mr. Yu Pan and his associates have personal interest in certain properties including residential buildings, commercial buildings, and hotel, in the PRC, none of the Directors and his/her respective associates had any interests in any business, which competes or is likely to compete, either directly or indirectly, with the Company's business (as would be required to be disclosed under rule 8.10 of the Listing Rules if each of them were a controlling shareholder).

Mr. Yu Pan has undertaken to the Company that for so long as he remains as Director or controlling shareholder, all enquiries and actual or potential business opportunities received by him (and/or his associates) in relation to property development project management and property investment in the PRC (the "Business Opportunities") shall be referred by Mr. Yu Pan to the Company on a timely basis and the Business Opportunities must be first offered or made available to the Group.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2006, so far as known to any Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Interests in the shares and underlying shares

Name of shareholders	Capacity	Number of shares	Approximate shareholding percentage (Note 1)
Grand Cosmos	Beneficial owner	670,526,985 (Note 2)	61.52
PMA Capital Management Ltd.	Investment manager	201,982,450 (Note 3)	18.53
Diversified Asian Strategies Fund	Beneficial owner	109,958,068 (Note 3)	10.09

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Interests in the shares and underlying shares *(Continued)*

Name of shareholders	Capacity	Number of shares	Approximate shareholding percentage <i>(Note 1)</i>
PMA Asian Opportunities Fund	Beneficial owner	70,576,000 <i>(Note 3)</i>	6.48
Mr. Luo Dong Liang	Beneficial owner	88,262,000 <i>(Note 4)</i>	8.10
Leader Gain Limited	Beneficial owner	66,666,666 <i>(Note 5)</i>	6.12
Ms. Azuma Sarina	Interest of controlled corporation	66,666,666 <i>(Note 5)</i>	6.12

Notes:

- (1) For the purpose of this section, the shareholding percentage in the Company is calculated on the basis of 1,089,871,286 shares as at 31 December 2006.
- (2) These shares comprise (i) 627,791,985 existing shares held by Grand Cosmos; and (ii) 42,735,000 underlying shares which would be issued upon exercise of subscription rights attending to the 42,735,000 2006 warrants.
- (3) These shares comprises (i) 182,444,000 existing shares of which PMA Asian Opportunities Fund holds 70,576,000 shares; Diversified Asian Strategies Fund holds 99,194,000 shares; and (ii) 19,538,450 underlying shares which would be issued upon exercise of subscription rights attaching to the 19,538,450 2006 warrants of which Diversified Asia Strategies Fund holds 10,764,068 2006 Warrants. All of these funds are controlled by PMA Capital Management Limited.
- (4) These shares comprise 11,990,000 existing shares and 76,272,000 underlying shares which would be issued upon exercise of the subscription rights attaching to 76,272,000 2006 warrants.
- (5) These shares are existing shares held by Leader Gain Limited of which the entire issued share capital is held by Ms. Azuma Sarina.

Save as disclosed above, as at 31 December 2006, the Company had not been notified by any persons or corporations who had any long or short position in the shares and/or underlying shares of the Company, which were required to be recorded in the register required to be kept by the Company pursuant to section 336 of Part XV of the SFO.

CONNECTED TRANSACTIONS

Save as the transactions stated below, none of the directors, substantial shareholders or controlling shareholders of the Company and their respective associates was materially interested in any contract or arrangement entered into by any member of the Group subsisting as at 31 December 2006 which was significant in relation to the business of either the Group or has any material personal interest.

1. Pursuant to a deed of appointment entered into by the Company and its subsidiary, United Prime Limited, with an associate of the Company, Yaubond Limited, the performance of United Prime Limited which is appointed as the project manager of a property development project of Yaubond Limited was guaranteed by the Company which was counter-indemnified by Mr. Yu Pan, the director of the Company, in favour of the Company. Mr. Yu Pan is also one of the directors of the associate of the Company.
2. In connection with United Prime Limited acting as the project manager of the property development project held by Yaubond Limited, a project management fee of HK\$4,162,000 was charged to a subsidiary of Yaubond Limited, Guangzhou Huan Cheng Development Company Limited, for the year ended 31 December 2006.
3. A lease agreement was entered into between a subsidiary of the Company, Guangzhou Yu Jun Consulting Service Company Limited ("Yu Jun") and Guangzhou Chuangyu Property Development Company Limited ("Chuangyu") for the lease of office premises owned by Chuangyu for a term of two years expiring on 31 October 2007 at a monthly rental of RMB41,000. In addition, Guangzhou Tianyu Property Management Company Limited ("Tianyu Property") has charged Yu Jun building management and air-conditioning fees. Mr. Yu Pan is a controlling shareholder of Chuangyu and Tianyu Property, and Mr. Wen Xiao Bing is also a legal representative of Chuangyu. Rental of RMB497,000 (approximately HK\$484,000) and building management fee and air-conditioning charges of RMB497,000 (approximately HK\$484,000) were charged to Yu Jun during the year.
4. The Group occupied during the year an office as its principal place of business in Hong Kong free of rental and all other outgoings relating to the office premises. The existing tenant of the premises is Yue Tian Development Limited ("Yue Tian") in which 29% equity interest is held by Mr. Yu Pan who is also a director of Yue Tian.
5. The Company had granted 39,150,000 share options pursuant to the 2005 Scheme to a number of non-employees who are employees and consultants employed or engaged by companies beneficially owned by Mr. Yu Pan. Such personnel have rendered services to the Group during the year with no other service fee charged against the Group except for the grant of share options. The Group recognised expenses amounting to HK\$2,198,000 for the year ended 31 December 2006 in relation to the grant.

CORPORATE GOVERNANCE

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the 2006 financial statements, in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules except for code provision A2.1, where the roles of chairman and chief executive officer of the Company is not separated as required but is currently performed by the same individual.

Due to the relatively small size of the existing management team, both the roles of the chairman and chief executive officer of the Company are currently taken up by Mr. Yu Pan. The Board will, nonetheless, review the business growth of the Group and, when considered essential, will set out a clear division of responsibilities at the board level and the day-to-day management team to ensure a proper balance of power and authority within the corporation.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

During the year, the Company has adopted stringent procedures governing Directors' securities transactions in compliance with the Model Code as set out in Appendix 10 to the Listing Rules. Specific confirmation has been obtained from all Directors to confirm compliance with the Model Code throughout the year ended 31 December 2006.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each Independent Non-executive Director an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the Independent Non-executive Directors are independent.

RETIREMENT BENEFITS SCHEMES

Particulars of the retirement benefits schemes of the Group are set out in note 33 to the financial statements.

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 existing shareholders.

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 page 85 of the annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its directors, the directors confirmed that the Company has maintained the amount of public float as required under the Listing Rules during the year and up to the date of this report.

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events of the Group are set out in note 37 to the financial statements.

AUDITORS

Albert Lam & Co. audited the Company's financial statements for the years ended December 2004 and 2003. In 2005, Albert Lam & Co. resigned and BDO McCabe Lo Limited were first appointed as auditors of the Company.

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Messrs. BDO McCabe Lo Limited as auditors of the Company.

On behalf of the Board

Yu Pan
Chairman

Hong Kong, 18 April 2007