

## MANAGING DIRECTOR'S STATEMENT 董事總經理報告

### REVIEW OF RESULTS

Turnover of the year increased by 170% to HK\$1,487.2 million (2005: HK\$551.8 million). During the year, the Group's profit after tax decreased by 31% to HK\$505 million (2005: HK\$729.2 million). Earnings per share also decreased by 33% to HK\$0.278 per share (2005: HK\$0.415 per share).

The significant increase in turnover was mainly attributable to the increase in the turnover of listed securities trading. The Group strategically acquired certain quality IPO shares in the last two financial years and sold a majority of those shares in the year at time when the stock market is performing good. It also brought significant profit to the Group. In the year, turnover of listed securities trading increased by approximately 6 times to HK\$1,014.3 million (2005: HK\$152.7 million). Net profit derived from listed securities trading increased by approximately 9 times to HK\$212.7 million (2005: HK\$20.9 million).

Sales of properties of the development project in Shenyang known as the East Gate Metro Garden commenced and delivered for use during the year. Accordingly, the turnover of sales of properties increased by approximately 231 times to HK\$208.1 million (2005: HK\$0.9 million). Profit contribution from sales of properties for the year was HK\$43.7 million (2005: HK\$6.0 million loss).

Turnover of dealings in distressed assets decreased by 62% to HK\$88.8 million (2005: HK\$230.9 million) and has partially been offset by the increase in listed securities trading and sales of properties above. Profit contribution from dealings in distressed assets decreased by 60% to HK\$93.7 million (2005: HK\$231.6 million).

The decrease in the turnover and profit contribution of dealings in distressed assets was mainly due to the fact that there was a performance bonus from the disposal of the Macau Assets in last year in the amount of HK\$100.0 million. As the disposal of the Macau Assets has only been completed last year, there is no corresponding performance bonus of such kind in the current year.

### 業績回顧

本年度營業額增加170%至1,487,200,000港元(二零零五年: 551,800,000港元)。年內, 本集團稅後溢利減少31%至505,000,000港元(二零零五年: 729,200,000港元)。每股盈利減少33%至每股0.278港元(二零零五年: 每股0.415港元)。

營業額大幅增加, 主要由於本集團年內及去年策略性購入並持有若干優質的新上市股份, 並於年內在投資市場增長良好的情況下, 出售大部分該等股份。證券買賣相關的營業額因而錄得大幅增長, 同時為本集團帶來可觀的盈利。本年度證券買賣相關的營業額增加約6倍至1,014,300,000港元(二零零五年: 152,700,000港元); 從證券買賣取得的淨盈利則增加約9倍至212,700,000港元(二零零五年: 20,900,000港元)。

位於沈陽的發展項目東環國際花園已開賣並且於年內交付使用, 物業銷售營業額因而錄得約231倍增長至208,100,000港元(二零零五年: 900,000港元)。本年度物業銷售的盈利貢獻為43,700,000港元(二零零五年: 虧損6,000,000港元)。

不良資產處置業務的營業額減少62%至88,800,000港元(二零零五年: 230,900,000港元), 並部份抵銷了上述證券買賣及物業銷售兩項營業額增幅的影響。不良資產處置業務的盈利貢獻減少60%至93,700,000港元(二零零五年: 231,600,000港元)。

不良資產處置業務之營業額及盈利貢獻減少的主因是去年金額中包括有一項金額為100,000,000港元來自處置澳門資產的超成分成。由於澳門資產已於去年全部處置完畢, 因此於本年度並無錄得對應的收入。

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### REVIEW OF RESULTS (Continued)

The decrease in the after tax profit for the current year are mainly due to, firstly, the significant fluctuation in the fair value of the Company's USD52.5 million convertible note. In 2005, the fair value of the convertible note increased by HK\$199.8 million which is recognised in the profit or loss as an income. But in 2006, the fair value of the convertible note increased only by HK\$35.2 million which has resulted in a decrease in after tax profit of HK\$164.6 million.

Secondly, the increase in the valuation of the investment properties for the current year is only HK\$89.9 million which is also HK\$58.8 million lesser than the amount of HK\$148.7 million in last year.

Moreover, income from the disposal of distressed assets decreased significantly by HK\$137.9 million since the distressed asset in the Cinda Portfolio has decreased significantly following the previous disposals. This has, in turn, led to decrease in interest income from the disposal of distressed assets. In addition, there was a performance bonus of HK\$100.0 million from the disposal of the Macau Assets in last year.

Lastly, discount on acquisition, which is recognized as an income, of additional equity interest in a subsidiary also decreased by HK\$48.7 million.

As a whole, increase in the net profit from listed securities trading in the amount of HK\$191.8 million and the increase in the profit brought by sales of the East Gate Metro Garden property in the amount of HK\$49.7 million has compensated to a large extent the decrease in profit caused by the four reasons as mentioned above despite there is a drop in total after tax profit for the year.

### 業績回顧 (續)

本年度稅後溢利減少的主要原因是，首先，本公司按公平值記賬的52,500,000美元可換股票據之公平值大幅波動；促使在二零零五年度，該項可換股票據的公平值增加199,800,000港元並於收入報表確認為一項收益；而在二零零六年度，該項可換股票據的公平值只增加35,200,000港元，導致稅後溢利減少約164,600,000港元。

其次，本年度的投資物業評估增值只有89,900,000港元，亦較去年的148,700,000港元減少58,800,000港元。

此外，處理不良資產所得收益因為信達資產包項下之不良資產經早前處置後大幅減少而引致處置不良資產利息收入減少以及只在去年處置澳門資產錄得100,000,000港元超收分成而導致收益大幅減少137,900,000港元。

最後，收購一間附屬公司額外股本權益的折讓(確認為收益)亦減少了48,700,000港元。

雖然本年度稅後盈利減少，整體而言，證券投資取得的191,800,000港元淨盈利增長以及銷售東環國際花園物業帶來的49,700,000港元盈利增長，已很大程度上彌補了上述四個原因導致盈利減少的影響。

## MANAGING DIRECTOR'S STATEMENT 董事總經理報告

### FINAL DIVIDEND

The Board resolved to recommend the payment of a final dividend of HK\$0.07 per share for the year ended 31 December 2006 (2005: HK\$0.06 per share). The final dividend, subject to approval by shareholders at the annual general meeting, will be payable on 12 June 2007 to shareholders on the register of member of the Company on 29 May 2007.

### CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from (Wednesday) 23 May 2007 to (Tuesday) 29 May 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend payment, completed transfer forms accompanied by the relevant share certificates must be lodged with the Share Registrars, Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on (Tuesday) 22 May 2007.

### BUSINESS REVIEW & PROSPECTS

#### Property Investments, Development and Management

During the year, the Group increased its investment in Beijing East Gate Development Co., Ltd. ("East Gate") by acquiring the remaining 4.11% equity interest from the minority shareholders of East Gate at a total consideration of HK\$25.7 million. The acquisition resulted in a discount on acquisition of HK\$24.7 million and was recognized as income in the current year. After the acquisition, East Gate becomes a wholly owned subsidiary of the Group.

For the year ended 31 December 2006, apart from the increase in fair value of investment properties, rental income from leasing of investment properties decreased by 34% to HK\$42.2 million (2005: HK\$63.5 million). The decrease was due to the fact that last year amount included a taxation written back amounting to approximately HK\$21.0 million. The main source of rental income is from East Gate Plaza. During the year, gross rental income in respect of East Gate Plaza remained pretty stable and amounted to HK\$69.4 million (2005: HK\$68.3 million).

### 末期股息

董事會通過決議，建議派付截至二零零六年十二月三十一日止年度末期股息，每股0.07港元（二零零五年：每股0.06港元）。是項末期股息，須取得股東於股東週年大會批准，將於二零零七年六月十二日支付予於二零零七年五月二十九日名列本公司股東名冊之股東。

### 暫停辦理股份過戶登記

本公司將於二零零七年五月二十三日（星期三）起至二零零七年五月二十九日（星期二）（包括首尾兩天）期間，暫停辦理股份過戶登記。為符合獲派建議股息資格，填妥的過戶表格連同有關股票須最遲於二零零七年五月二十二日（星期二）下午四時三十分交回本公司的股份過戶登記處秘書商業服務有限公司，地址為香港灣仔皇后大道東28號金鐘匯中心26樓。

### 業務回顧及展望

#### 物業投資、發展及管理

年內，本集團透過以總代價25,700,000港元向東環置業的少數股東購入餘下4.11%股本權益，增加投資東環置業。該項增持行動產生收購折讓24,700,000港元並已於年內確認為收益。經該項增持行動後，東環置業成為本集團的全資附屬公司。

截至二零零六年十二月三十一日止年度，不計投資物業公平值增加的收益，投資物業租賃之租金收入減少34%至42,200,000港元（二零零五年：63,500,000港元），減少是因為去年數額包括一項為數約21,000,000港元的稅務回撥。租金收入主要來自東環廣場，年內東環廣場的租金收入毛額保持平穩並錄得69,400,000港元（二零零五年：68,300,000港元）。

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### BUSINESS REVIEW & PROSPECTS (Continued)

#### Property Investments, Development and Management (Continued)

The operations of Beijing Yinda Property Management Limited ("Yinda") were also stable for both of the immediate two preceding financial years. As at the balance sheet date, there were 22 projects (2005: 23 projects) under the management of Yinda. The total floor area under the management of Yinda exceeds 3.0 million square meters. The turnover of Yinda for the year was HK\$98.0 million (2005: HK\$89.0 million). Net profit for the year was HK\$2.9 million (2005: HK\$0.3 million loss). In the coming years, Yinda will adjust its strategy to concentrate its effort in soliciting new projects with high profit margin and step out from those existing projects which returns are unsatisfactory in order to increase shareholder's return.

Sales of properties of the development project in the Tiexi District of Shenyang known as the East Gate Metro Garden commenced and delivered for use during the year. Sales of properties amounted to HK\$208.1 million in aggregate and recognized profit in the amount of HK\$43.7 million. The Directors expect that total sales amount for East Gate Metro Garden will amount to approximately HK\$423.1 million. After the completion of the sale of the East Gate Metro Garden, the development of the third phase, which is also the last phase of the Tiexi development project, will commence.

The re-development project "Zi You Xiao Zhen" has substantially completed the vacation of the existing tenants and is currently preparing to commence construction. "Zi You Xiao Zhen" has a site area of approximately 320,000 square meters and gross development area of approximately 830,000 square meters. The Group intends to develop "Zi You Xiao Zhen" by four phases in four years' time.

The Group has committed to invest and develop a new property project including "Si He Yuan" properties in the Sanyanjing Preservative District in Beijing.

### 業務回顧及展望 (續)

#### 物業投資、發展及管理 (續)

北京銀達物業管理有限責任公司(「銀達公司」)於回顧年內及去年的經營，同樣保持穩定。本年度，由銀達公司管理的項目組合共有22個(二零零五年：23個)，管理總面積逾三百萬平方米。銀達公司本年度營業額約為98,000,000港元(二零零五年：89,000,000港元)，本年度淨盈利為2,900,000港元(二零零五年：虧損300,000港元)。未來，銀達公司將會調整策略，以致力爭取盈利率高的項目為主，並逐步退出現有的但盈利率未符預期的項目，從而提高股東回報。

位於沈陽鐵西區的發展項目東環國際花園已開賣並且於年內交付使用，錄得銷售總額約208,100,000港元並確認盈利約43,700,000港元。董事會預期東環國際花園的總銷售金額將可達約423,100,000港元。在完成銷售東環國際花園後，鐵西區發展項目的第三期發展亦即是最後一期的發展將會展開。

重建項目《自由小鎮》已於二零零六年完成大部分的遷拆工作，項目現在處於開工準備階段。《自由小鎮》項目之地盤面積約320,000平方米，發展面積約830,000平方米。本集團有意在四年時間內分開發四期發展《自由小鎮》。

本集團已投入資金在北京市三眼井文物保育區投資興建包括「四合院」在內的物業開發項目。

## MANAGING DIRECTOR'S STATEMENT 董事總經理報告

### BUSINESS REVIEW & PROSPECTS (Continued)

#### Infrastructure Investments

During the year, profit contribution from CII decreased slightly by 5% to HK\$76.2 million (2005: HK\$80.6 million). The decrease in profit contribution was mainly due to lack of toll fee income from road and bridge project as a result of disposal of those projects in the previous years but income from other financial investments and interest income is not enough to compensate the decrease in toll fee income.

During the year, CII disposed of its entire interest in the Jiangxi #320 State-road project at a total consideration of approximately HK\$250.0 million and recognized a gain, including a special dividend, in the amount of HK\$40.2 million.

The strategy of CII is to dispose of all the road and bridge projects when opportunities arise. As at 31 December 2006, there were only two road and bridge projects remaining with a total carrying value of approximately HK\$137.8 million in aggregate.

#### **The Taian Natural Gas Pipeline project**

CII holds an 80% effective interest in the Taian Natural Gas Pipeline project. The carrying value of the project as at 31 December 2006 was approximately HK\$66.8 million. Profit attributable to CII was approximately HK\$2.7 million (2005: HK\$9.8 million).

During the year, CII invested in a new energy project by investing in Taian Gangxin Gas Co. Ltd. CII holds a 74% effective interest in the project and has invested approximately HK\$74.0 million in the project.

### 業務回顧及展望 (續)

#### 基礎建設投資

年內，中基盈利貢獻輕微減少約5%至76,200,000港元(二零零五年：80,600,000港元)。盈利貢獻減少的主要原因是由於以往年度出售道路及橋樑項目後，導致缺乏該等項目的路費收入，且年內來自其他金融投資的收入及利息收入未能完全彌補路費收入減少所致。

年內，中基完成以總代價人民幣250,000,000元出售其於江西320國道的全部權益，並確認一項金額為40,200,000港元(含特別分紅)的收益。

中基的策略是在遇到合適機會時，全部出售其道路及橋樑項目。於二零零六年十二月三十一日，餘下只有兩個道路及橋樑項目，其賬面總值約達137,800,000港元。

#### 泰安天然氣管道項目

中基持有泰安天然氣管道項目80%有效權益。該項目於二零零六年十二月三十一日之賬面值約為66,800,000港元。為中基提供約HK\$2,700,000港元盈利貢獻(二零零五年：9,800,000港元)。

年內，中基透過投資泰安港新燃氣有限公司而新投資於一項能源項目。中基持有該項目74%有效權益並已投入約74,000,000港元予該項目。



## MANAGING DIRECTOR'S STATEMENT 董事總經理報告

### BUSINESS REVIEW & PROSPECTS (Continued)

#### Infrastructure Investments (Continued)

##### **Petrochemical projects**

CII invested in, through a 50% owned associated company, CII Petrochemical Limited, two petrochemical projects. The projects are United East Petrochemical Company Limited (in which CII holds a 25% effective interest) and 泰洲東泰石化有限公司 (in which CII holds a 34% effective interest). The carrying value of the two projects as at 31 December 2006 was approximately HK\$167.2 million in aggregate. During the year, total profit contribution to CII from the projects was approximately HK\$5.7 million (2005: HK\$3.8 million).

CII is negotiating with the holding company of the local partner to secure a long term and stable supply of crude oil for the refinery business. CII has confidence to reach an agreement for the supply of crude oil in 2007.

In the coming years, CII will commit more resources into the petrochemical projects with a hope to seize the business opportunities as a result of the increasingly demand for petrochemical products in PRC and to create value to the shareholders.

### 業務回顧及展望 (續)

#### 基礎建設投資 (續)

##### 石油化工項目

中基透過一間50%控股的聯營公司中基石化有限公司投資於兩個中外合資石化項目。該等項目包括東聯化工有限責任公司(中基持有25%有效權益)及泰洲東泰石化有限公司(中基持有34%有效權益)。從事原油儲存、原油裝卸碼頭、煉油以及生產與煉油相關的副產品。該兩個項目於二零零六年十二月三十一日之賬面總值約為167,200,000港元。年內，該等項目為中基貢獻溢利總額約5,700,000港元(二零零五年：3,800,000港元)。

中基現時正與當地合作方的控股公司進行磋商，為煉油項目落實長期並穩定的原油供應。中基有信心於二零零七年內就該原磋商達成協議。

於未來年度，中基將會投入更多資源於石化類項目，以祈能抓住中國在石化產品方面不段上漲的需求的機遇，為股東創造價值。

## MANAGING DIRECTOR'S STATEMENT 董事總經理報告

### BUSINESS REVIEW & PROSPECTS (Continued)

#### Financial Investments

##### **Distressed Assets Business**

###### *The Cinda Portfolio*

During the year, the Cinda Portfolio has contributed approximately HK\$88.8 million (2005: HK\$130.9 million) interest income to the Group. Up to 31 December 2006, the principal amount of distressed assets in the Cinda Portfolio that has been disposed of was approximately HK\$41.0 billion in aggregate, representing 72.0% of the total principal amount in the Cinda Portfolio. The amount of cash recovered was approximately HK\$1,264.9 million in aggregate. The effective cash recovery rate was approximately 3.1%. The cumulative amount of cash recovered has exceeded the original acquisition cost by more than HK\$400.0 million.

The remaining principal amount of distressed assets in the Cinda Portfolio was approximately HK\$16.0 billion. The Directors have confidence in completing the disposal of the entire Cinda Portfolio in 2007 as scheduled.

###### *The Huarong Portfolio*

In January 2006, the Group completed the acquisition of a portfolio of distressed assets with total principal amount of approximately HK\$36.4 billion (including booked interest) (the "Huarong Portfolio") from China Huarong Asset Management Corporation ("China Huarong") at a total consideration of approximately HK\$546.6 million.

The Huarong Portfolio comprises a total of 11,126 borrowers located in a total of 27 provinces, directly administrated municipalities and autonomies in the PRC. The Group has set a target to complete the disposal of the Huarong Portfolio in two years' time.

The Huarong Portfolio was held through a jointly controlled entity — Platinum One Limited ("POL"). POL was owned equally by Citigroup Financial Products Inc. and the Company.

### 業務回顧及展望 (續)

#### 金融投資

##### 不良資產業務

###### 信達資產包

年內，信達資產包為本集團貢獻約88,800,000港元(二零零五年: 130,900,000港元)利息收入。截至二零零六年十二月三十一日止，累計處置的信達資產包債權資產本金總額約410億港元，約相當於信達資產包本金總額的72.0%。累計處置回收現金約為1,264,900,000港元。折算所得之現金回收率約為3.1%。累計回收現金總額已超出原收購成本逾400,000,000港元。

信達資產包餘下未處置的債權資產本金總額約為160億港元。董事有信心可於二零零七年內按計劃完成處置整個信達資產包。

###### 華融資產包

於二零零六年一月，本集團完成從中國華融資產管理公司(「中國華融」)收購本金額約364億港元(含表內利息)的不良資產組合(「華融資產包」)，總代價約為546,600,000港元。

華融資產包由分散於全國各地、共27個省、直轄市及自治區、總數11,126個借款戶所組成。本集團已定立目標於兩年之內完成處置華融資產包。

華融資產包乃通過一間共同控制的公司 — Platinum One Limited (「POL」) 持有。POL 由 Citigroup Financial Products Inc. 及本公司共同擁有。

## MANAGING DIRECTOR'S STATEMENT 董事總經理報告

### BUSINESS REVIEW & PROSPECTS (Continued)

#### Financial Investments (Continued)

#### **Distressed Assets Business (Continued)**

##### *The Huarong Portfolio (Continued)*

POL has appointed China Huarong to serve the disposal of and collection of the Huarong Portfolio. Huarong in return is entitled to receive a management fee calculated as 10% of the cash recovered. China Huarong is also entitled to share the profits generated from the disposal of the Huarong Portfolio according to a defined profit sharing scheme.

During the year, the principal amount of distressed assets in the Huarong Portfolio disposed of was approximately HK\$6.4 billion in aggregate. The amount disposed of amounted to approximately 17.4% of the total principal amount of the Huarong Portfolio. The cash recovered was approximately HK\$152.5 million in aggregate. The effective cash recovery rate was approximately 2.5%. Profit contribution from the Huarong Portfolio was HK\$8.4 million (2005: nil).

The remaining principal amount of distressed assets in the Huarong Portfolio was approximately HK\$30.0 billion. The Directors will endeavour to complete the disposal of the entire Huarong Portfolio in 2007.

##### *New Distressed Asset Portfolio*

After the balance sheet date, the Group has cooperated with China Orient Asset Management Corporation ("China Orient") to set up a joint venture platform to engage in the business of disposal of distressed assets. Initially, the joint venture will focus on the disposal of distressed assets owned by China Orient.

### 業務回顧及展望 (續)

#### 金融投資 (續)

#### 不良資產業務 (續)

##### 華融資產包 (續)

POL已委託中國華融協助處置並回收華融資產包。中國華融有權收取按收回現金的10%計算的管理費作為報酬。中國華融同時亦有權根據一項事先協定的利潤分成機制，分享處置華融資產包所產生的利潤。

年內，華融資產包已處置的不良資產本金總額約為64億港元。已處置的金額約相等於華融資產包本金總額的17.4%。已收回的現金總額約為152,500,000港元。折算所得的現金回收率約為2.5%。華融資產於年內的淨溢利貢獻為8,400,000港元(二零零五年：無)。

華融資產包餘下未處置的債權資產本金總額約為300億港元。董事會將致力於二零零七年內完成處置整個華融資產包。

##### 新的不良資產包

於年結日後，本集團與中國東方資產管理公司以合資企業方式共同組建平台，合作從事處置不良資產的業務。合資企業的開始目標是以處置中國東方擁有的不良資產為主。



## MANAGING DIRECTOR'S STATEMENT 董事總經理報告

### BUSINESS REVIEW & PROSPECTS (Continued)

#### Financial Investments (Continued)

##### Other Financial Investments

During the year, the Group realized over HK\$200.0 million profit from listed securities trading which is very promising. The Group will continue to utilize an appropriate portion of the temporarily idled funds to invest, on a medium term basis, in listed securities. However, in light of the continuously increasing market risk in the currently inflated stock market, the Directors will make judgment and will invest very selectively in listed securities with good capital appreciation potentials.

The Group has invested RMB100.0 million (equivalent to approximately HK\$96.1 million at that time) to acquire a 12% equity interest in a Chinese medicine manufacturer known as Tong Ji Tang in 2005. The principal business of the entity is the manufacturing of a patented drug to cure osteoporosis. The entity has carried out a restructuring and converted into Tongjitang China Medicines Company ("Tongjitang") and succeeded in getting a listing on the New York Stock Exchange on 16 March 2007 through the issuance of American Depository Shares ("ADS"). Each ADS represents four ordinary shares of Tongjitang. The initial offer price of each ADS is US\$10.0. The Group holds 10,844,000 ordinary shares in Tongjitang, representing a 10.8% equity interest in Tongjitang. The total market capitalization of the Group's equity interest in Tongjitang, based on the initial offer price, was approximately HK\$211.5 million. At initial offer, the Group sold 625,000 ADSs (equivalent to 2,500,000 ordinary shares) and recognized a profit of approximately HK\$26.5 million. The remaining 8,344,000 ordinary shares have an unrealized holding gain of approximately HK\$85.8 million. The Tongjitang ADS is trading at prices approximate to its initial offer price of US\$10.0 per ADS for the time being.

### 業務回顧及展望 (續)

#### 金融投資 (續)

##### 其他金融投資

本集團年內已從上市證券投資賺取逾兩億港元溢利，成績斐然。本集團將繼續適當地利用部份臨時閒置之資金透過以中期持有方式投資於上市證券。然而，董事會注意到由於證券市場已經大幅上漲，市場風險正不斷增加，董事會將作出判斷並會非常選擇性地投資於具有資本增值潛力的上市證券。

本集團在二零零五年以人民幣100,000,000元(相當於當時的96,100,000港元)收購一家以同濟堂為品牌，從事中藥生產的企業12%股份權益。該企業的主要業務為生產一種用於醫治骨質疏鬆的專利藥物。該企業通過重組成為同濟堂中國藥業有限公司(「同濟堂藥業」)後，成功在二零零七年三月十六日於紐約證券交易所，以發行美國預託證券(「預託證券」)方式上市。每份預託證券代表四份同濟堂普通股股份。每份預託證券的首次發售價為10美元。本集團持有同濟堂10,844,000股普通股份，佔同濟堂股份權益之10.8%。按首次發售價計算，本集團於同濟堂的股本權益的總市值約為211,500,000港元。本集團於首次發售時已出售625,000份預託證券(相當於2,500,000股普通股份)，確認收益約26,500,000港元。其餘8,344,000股普通股份的未變現收益約為85,800,000港元。同濟堂預託證券現時以首次發售價每份預託證券10美元相約的價格買賣。

## MANAGING DIRECTOR'S STATEMENT 董事總經理報告

### GROWTH STRATEGIES

The Group maintains its established strategies of making balanced investments in the Group's three core-business: property investments, infrastructure investments and financial investments.

As for infrastructure investment, the Directors will direct CII to gradually commit more resources to the Petrochemical projects.

As for property investment, the Directors intend to expand the Group's scale of property development, including "Si He Yuan" project, in Beijing.

The Directors are of the view that the recent economic measures imposed by the PRC Central Government will have a long-term effect of creating a stable and healthy market economy for the PRC. In the Directors' opinion, those measures will not have significant adverse effect on the Group's business for the time being. However, the Directors will continue to monitor the situation and take appropriate actions should these measures be further extended and raised.

### FINANCIAL REVIEW

#### Exchange Exposure & Hedging

As at the balance sheet date, the Group had an outstanding USD denominated convertible note which face value is USD52.5 million (equivalent to HK\$409.5 million).

Except for the above, the Group's principal assets, liabilities, revenue and payments are denominated in HKD and RMB. Despite the recent mild appreciation of the RMB exchange rate, the Directors expect that the RMB exchange rate will gradually appreciate by a small percentage in the foreseeable future. In addition, HKD is pegged to the USD and such currency peg is unlikely to be broken in the foreseeable future. In this regard, the Directors believe that exposure to exchange rate fluctuations will not have material adverse effect on the Group.

### 發展策略

本集團維持以既定的策略均衡投資於本集團的三大核心業務：房地產、基礎建設投資及金融投資。

基礎建設投資方面，董事會將促使中基慢慢偏向投放更多資源於石油化工方面的項目。

房地產方面，董事會擬在北京市擴大本集團包括四合院項目在內的房地產開發規模。

董事會認為中國中央政府近期實施的經濟調控措施，長遠的影響是可以為中國締造穩定且健康的市場經濟。董事會認為該等調控措施目前並無對本集團的業務帶來重大負面影響。然而，董事會將密切留意有關事情的發展，並將於該等調控措施可能進一步擴大及加強時採取合適的對應行動。

### 財務回顧

#### 匯兌風險及對沖

於結算日，本集團有一項以美元為計價單位的可換股票據，面值總額為52,500,000美元（相當於409,500,000港元）。

除上文所述外，本集團的主要資產、負債、收入及支出都是以港元及人民幣為主。即使人民幣匯率近期曾作出輕微升值，董事會預期人民幣匯率於可預見的未來只會緩慢地升值若干百分點。此外，港元是與美元掛鈎，而此項貨幣掛鈎政策於可預見的未來都不會解除。因此，董事局相信因匯率變動所引致的匯兌風險將不會對本集團構成重大負面影響。

## MANAGING DIRECTOR'S STATEMENT 董事總經理報告

### FINANCIAL REVIEW (Continued)

#### Exchange Exposure & Hedging (Continued)

The Group's policy is not to engage in any speculative activity other than making appropriate arrangements for hedging purposes where the business requires. There was no hedging transaction contracted for by the Group during the year.

#### Working Capital & Borrowings

The Group's total borrowings excluding convertible note as at the balance sheet date amounted to HK\$826.9 million of which HK\$601.2 million was short-term bank loan and HK\$220.0 million was a short term loan from a shareholder with interest charged at fixed rate of 6% per annum. The remaining was long-term mortgage loan. Over 99% of the short-term bank loan was the working capital loan borrowed by East Gate and the remaining was the current portion of a long-term mortgage loan. Interest rate for the short-term bank loan was charged at floating rate and the prevailing applicable interest rate was 5.265% per annum. The interest rate for the long-term mortgage loan was charged at floating rate and the prevailing applicable interest rate was 5.375% per annum. The Group also has an outstanding convertible note with a total outstanding amount of approximately HK\$402.1 million as at the balance sheet date. If the convertible note is not converted, it is repayable in 2009.

As at the balance sheet date, the cash and bank balances including the restricted bank balance amounted to HK\$1,257.9 million in aggregate. In addition, the Group has net current assets in the amount of HK\$1,211.9 million at the balance sheet date. Moreover, the Group has unutilized banking facilities in the amount of HK\$324.6 million. In this regard, the Directors are confident that the working capital of the Group is adequate for daily operations and the Group has a sound and good financial position.

The management is currently negotiating with a foreign bank to secure a long-term banking facility to replace the existing working capital loan of East Gate to further improve and enhance the working capital structure of the Group.

### 財務回顧 (續)

#### 匯兌風險及對沖 (續)

本集團一貫政策是不進行任何投機活動，惟配合業務需要而作出的適當對沖安排則除外。本集團於年內並無簽訂任何合同形式的對沖交易。

#### 營運資金及借貸

本集團於結算日除可換股票據外的借貸總額為826,900,000港元。其中有601,200,000港元為短期的銀行貸款，220,000,000港元為由一名股東提供的短期貸款（以固定年利率6%計收利息），其餘為長期之按揭貸款。短期銀行貸款中逾99%為東環置業借入的流動資金貸款，其餘為一項長期的按揭貸款於一年內到期的部分。短期銀行貸款的利息以浮動利率計算，當前適用之年利率為5.265%。長期按揭貸款的利息以浮動利率計算，當前適用之年利率為5.375%。本集團同時亦有未償還總額約402,100,000港元的長期可換股票據，可換股票據如未獲轉換，則須於二零零九年內償還。

於結算日包括監管戶口結餘在內的現金及銀行存款結餘總額為1,257,900,000港元。加上本集團於結算日有流動資產淨額1,211,900,000港元。此外本集團有未提用之銀行授信額度總額324,600,000港元。據此，董事會對本集團的流動資金足夠應付日常營運所需充滿信心，並且認為本集團擁有穩健且良好的財務狀況。

管理層現正與一間外資銀行磋商落實一項長期的銀行融資額度，以取代東環置業現時的短期流動資金貸款，進一步加強並優化本集團的營運資金結構。

## MANAGING DIRECTOR'S STATEMENT 董事總經理報告

### FINANCIAL REVIEW (Continued)

#### Capital Structure

As at 31 December 2006, the shareholders' fund of the Group was HK\$4,590,641,000, representing an increase of HK\$747,619,000 or 19% increment from that as at 31 December 2005.

During the year, the Company raised additional capital in the amount of HK\$264.0 million from the issuance of a total number of 132,000,000 new shares at premium pursuant to the exercise of convertible note and share options. This has increased and expanded the capital base of the Company.

During the year, the Company paid HK\$108,403,000 to shareholders of the Company as final dividend for the year 2005, which has an effect of reducing the overall capital.

The Company has another convertible note with an initial issued principal amount of HK\$440.0 million and coupon interest rate of 1.5% per annum of which principal amount of HK\$220.0 million has been exercised and converted into 100,000,000 shares of the Company on 21 March 2006. The remaining principal amount of HK\$220.0 million has not been converted. The Company has repaid the remaining amount of the convertible note at its expiry date.

#### Human Resources

As at 31 December 2006, the Group employed approximately 1,370 employees in Hong Kong and in the PRC. The Group offers its employees competitive remuneration packages, which are consistent with the prevailing market practice. The Group's remuneration policies remains unchanged during the current year. Total staff costs for the current year increased by 10% to HK\$70.7 million (2005: HK\$64.4 million).

### APPRECIATION

On behalf of the Board, I would like to express my appreciation and gratitude to our shareholders for their support and all the Group's employees for their hard work and dedication in carrying out their duties and in achieving the Group's business goal.

By order of the Board  
**Gao Jian Min**  
Managing Director

Hong Kong, 23 April 2007

### 財務回顧 (續)

#### 股本結構

於二零零六年十二月三十一日，本集團之股東資金為4,590,641,000港元；較二零零五年十二月三十一日的數額增加747,619,000港元，增幅19%。

年內，本公司因應可換股票據及購股權被行使，以溢價發行總數132,000,000股新股，額外籌得股本264,000,000港元，增加並擴大本公司的股本基礎。

年內，本公司向本公司股東支付二零零五年末期股息，金額108,403,000港元，並影響減少整體股本。

本公司有一項初始本金額440,000,000港元，票面息率1.5%的可換股票據，其中本金額220,000,000港元於二零零六年三月二十一日被行使轉換為100,000,000股本公司股份；其餘本金額220,000,000港元未有轉換。本公司已於到期日償付結清該項可換股票據。

#### 人力資源

於二零零六年十二月三十一日，本集團於香港及中國僱用約1,370名僱員。本集團為其僱員提供一套符合市場慣例且具有競爭性的薪酬制度。本集團的薪酬政策於年內維持不變。年內之員工支出總額增加10%至70,700,000港元(二零零五年：64,400,000港元)。

### 致謝

本集團有賴各股東的鼎力支持和全體員工努力不懈的竭誠服務以達至本集團的目標，本人謹代表董事會向彼等致以深切謝意。

承董事會命  
董事總經理  
高建民

香港，二零零七年四月二十三日