



Management Discussion and Analysis

REVIEW OF OPERATIONS

The Group achieved satisfactory results for the year under review. The profit for the year was mainly attributable to sales and delivery of apartments of Northern part of phase III of Zendai Jia Yuan, delivery of 12 villas of Mandarin Palace, sale of entire share capital of an associated company and negative goodwill arising from acquisition of additional share capital of Zendai Delta Land.

The Group is engaged in the development of mid- to high-end properties in Shanghai and certain second tier cities in the PRC. During the year, four residential projects went on sale. They were the villas in Mandarin Palace, villas and detached houses in Jilin, villas in Haimen and apartments in the northern area of Phase III of Zendai Jia Yuan. Furthermore, in order to satisfy the huge demand for offices in Shanghai, the Group has increased the proportion of investment in commercial property development by acquiring an additional 51% in the interest of Zendai Delta Land which indirectly holds two commercial buildings namely “Wu Dao Kou Financial Centre” and “Zendai Cube Tower” which are expected to be completed in early 2008 and by the end of 2007 respectively. When the two projects are completed, they will add about 147,000 square metres in gross area of commercial premises in Shanghai.

LIQUIDITY, FINANCIAL RESOURCES, CAPITAL STRUCTURE AND GEARING

As at 31 December 2006, the Group had a healthy financial position with net assets increased from approximately HK\$795 million in 2005 to approximately HK\$1,598 million. Net current assets amounted to approximately HK\$1,723 million (2005: approximately HK\$576 million) with current ratio of approximately 2.13 times (2005: 1.44 times). The Group adopts relatively prudent financial policy and closely monitors its cash flow. As at 31 December 2006, the Group had consolidated bank loans of approximately HK\$814 million, in which HK\$351 million was repayable within one year and HK\$463 million was repayable more than one year. As at 31 December 2006, the Group's bank balances and cash were approximately HK\$587 million. The gearing ratio of the Group was increased from 0.7 times in 2005 to 0.8 times in 2006 (basis: total of amounts due to related companies, bank loans and convertible notes divided by shareholders' funds).

SEGMENT INFORMATION

Sales of properties

The turnover of this segment for the year amounted to HK\$1,360,648,000 (2005: HK\$1,396,759,000). It was resulted from the increase in properties available for delivery to buyers by the Group during the year.



Management Discussion and Analysis *(Continued)*

Travel and related business

The turnover of this segment for the year reached HK\$22,186,000 (2005: HK\$30,143,000).

Investment Properties

The turnover of this segment for the year was HK\$18,719,000 (2005: HK\$3,932,000).

FOREIGN CURRENCY EXPOSURES

As most of the Group's monetary assets and liabilities are denominated in Renminbi, the exchange rate risks of the Group is considered to be minimal.

EMPLOYEES

As at 31 December 2006, the Group employed approximately 230 employees (2004: 240 employees) in Hong Kong and the PRC. They were remunerated according to the nature of the job and market conditions. Other staff benefits include a mandatory provident fund scheme, local Municipal Government retirement scheme, insurance and medical insurance. The Company has also adopted a share option scheme, details of which are set out in note 41 to the financial statements.

MAJOR ACQUISITIONS

In May 2006, the Group's 80% owned subsidiary Shanghai Zendai Land entered into an agreement to purchase 51% interest in Zendai Delta Land at a total consideration of RMB248,000,000 (equivalent to approximately HK\$238,462,000, calculated at the then exchange rate of HK\$1 to RMB1.04). The acquisition was completed in July 2006, which increased Shanghai Zendai Land's share in Zendai Delta Land from 24% to 75%, while Best East Development Limited, the Group's wholly-owned subsidiary, owns the remaining 25%. Principally engaged in property development and investment in the PRC, Zendai Delta Land and its subsidiaries are currently developing three major high-end residential and commercial property projects in Shanghai, the PRC. They are the premium residential project "Mandarin Palace" villas and the two premium commercial property projects namely the "Zendai Cube Tower" and the "Wu Dao Kou Financial Centre". Since its launch, "Mandarin Palace" has been well received by the market and the transaction price has been rising consistently. The two commercial projects will be completed by the end of 2007 and in early 2008 respectively, adding 147,000 square metres of grade A offices, shop and car park spaces to the commercial property supply in Shanghai. The acquisition will expand the Group's profit base and fortify the Group's position as a quality integrated property developer.



Management Discussion and Analysis *(Continued)*

CHARGE ON ASSETS

As at 31 December 2006, the Group's properties for sale and investment properties of approximately HK\$1,356 million had been pledged to banks to secure bank loans granted to the Group.

CORPORATE GOVERNANCE

The Company has adopted the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as its own code of corporate governance and has taken careful measures to ensure that the provisions have been complied duly with from time to time.

The Company met the code provisions in the Code for the year ended 31 December 2006.

The Company's annual results for the year ended 31 December 2006 has been reviewed by the audit committee.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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