



Report of the Directors

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 are principally engaging in property development business, property investments and provision of travel related services.

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 33.

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

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 110.

SHARE CAPITAL

Details of movement in the share capital on the Company are set out in note 41 to the financial statements.

The Group entered into an agreement with Penta Investment Advisers Limited (“Penta Investment”) in February 2006 in relation to the issue and subscription of three-year convertible notes in an aggregate principal amount of HK\$150,000,000. Holders of the convertible notes shall have the right to convert the notes into shares of the Company, up to a total of maximum 625,000,000 new shares, at the initial conversion price of HK\$0.24 each (subject to adjustment), representing approximately 12.73% of the then issued share capital of the Company or approximately 11.29% of the then enlarged issued share capital of the Company. With Penta Investment joining it as a shareholder upon the exercise of the conversion rights attached to the convertible notes, the Company will have a strengthened shareholder base, reflecting the strong confidence of institutional investors in the Group’s business and prospects. The net proceeds from the issue of the convertible notes amounting to approximately HK\$149,600,000 will be used for future investment and development of suitable property projects to create yet more business opportunities for the Group.

In December 2006, Shanghai Zendai placed 800,000,000 shares of the Company to institutional investors by way of top-up placing. The placing shares (at the placing price of HK\$0.315 per share) accounted for 14.01% of the then enlarged issued share capital of the Company. The placing not only brought about HK\$244,000,000 net proceeds, which the Group may use to fund future land acquisitions in the PRC and expand business, but has also strengthened its shareholder base.



Report of the Directors *(Continued)*

RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 42 respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company during the year are set out in note 15 to the financial statements.

PROPERTIES FOR SALES

Details of properties for sales of the Group for the year is set out in note 25 to the financial statements.

DIRECTORS

The Directors during the year were as follows:

Executive Directors

Mr. Dai Zhikang
Mr. Fang Bin
Mr. Zhang Wei
Mr. Lu Puling
Mr. Wang Xiangang
Mr. Tang Jian
Mr. Ye Wenbin

Independent non-executive Directors

Mr. Lo Mun Lam, Raymond
Mr. Lai Chik Fan
Dr. Tse Hiu Tung, Sheldon

According to bye-law 87(1), Mr. Zhang Wei, Mr. Tang Jian, Ye Wenbin and Mr. Lo Mun Lam, Raymond shall retire from office by rotation and then be eligible for re-election at the forthcoming annual general meeting.

Report of the Directors *(Continued)*

No Director retiring and eligible for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

As at 31 December 2006, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept by the Company pursuant to section 352 of 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 Companies (the "Model Code"), are set out below:

Name of director	Nature of interests	Number of issued ordinary shares of the Company held	Approximate percentage of issued share capital
Mr. Dai Zhikang	Interests of controlled corporation <i>(Note)</i>	2,733,990,000	47.31%
Mr. Fang Bin	Beneficial interests	50,000,000	0.87%
Mr. Zhang Wei	Beneficial interests	50,000,000	0.87%
Mr. Lu Puling	Beneficial interests	30,000,000	0.52%
Mr. Wang Xiangang	Beneficial interests	20,000,000	0.35%
Mr. Tang Jian	Beneficial interests	10,000,000	0.17%
Mr. Ye Wenbin	Beneficial interests	5,000,000	0.09%

Note: These 2,733,990,000 shares were held by Giant Glory Assets Limited. Giant Glory Assets Limited is wholly-owned by Mr. Dai Zhikang. Mr. Dai Zhikang is therefore deemed to be interested in the 2,733,990,000 shares held by Giant Glory Assets Limited pursuant to the SFO.



Report of the Directors *(Continued)*

All interests stated above represent long position held in the shares of the Company. Save as disclosed above, none of the directors or chief executives of the Company had any interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO on or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (“Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as at 31 December 2006.

DIRECTORS’ SERVICE CONTRACTS

None of the Directors has entered into service contract with the Company.

DIRECTORS’ AND SENIOR EXECUTIVES’ EMOLUMENTS

Details of the Directors’ and senior management are set out in note 11 to the financial statements. The Group’s general policy on remuneration is to maintain fair and competitive packages based on industry practice and market conditions. The following factors are considered when determining the remuneration packages of executive Directors:

- Business needs;
- The Group’s results and performance;
- Appraisal of individual contributions to results of the Group;
- Changes in market conditions such as demand and supply.

Furthermore, the Company has adopted a share option scheme as a long term incentive scheme to all eligible staff of the Group.

SHARE OPTIONS

Details of the share option scheme adopted by the Company are set out in note 41 to the financial statements. At the date of this report, no share option has been granted under the share option scheme.



Report of the Directors *(Continued)*

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme set out in note 41 to the financial statements, at no time during the year was the Company, its holding company or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than the connected transactions set out in paragraphs (a) and (b) of note 47 to the financial statements, (i) no contracts of significance to which the company, its holding company or any of their respective subsidiaries, was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or any time during the year.

Other than the subscription agreement dated 29 November 2006 entered into between the Company and Giant Glory Assets Limited, the controlling shareholder of the Company, no contract of significance between the Group and the controlling shareholder (or its subsidiary) had been signed.

CONNECTED AND RELATED PARTY TRANSACTIONS

During the year, the Group entered into certain related party transactions, two of which also constitute connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company has complied with the disclosure requirements of Chapter 14A of the Listing Rules and details of such transactions are set out in paragraphs (a) and (b) of note 47 to the financial statements.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, the Company discloses that during the year and up to the date of this report, Mr. Dai Zhikang held directorships in Shanghai Zendai Investment Development Company Limited, and/or its subsidiaries (collectively referred to as the "Zendai Group"), which are also engaged in property development and related business.

As the board of directors of the Group operates independently from the boards of Zendai Group, the Group operates its business independently or, and at arm's length from, the business of Zendai Group.

Report of the Directors *(Continued)*

PERSONS HAVING 5% OR MORE INTERESTS

As at 31 December 2006, the interests or short positions of the persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Capacity	Number of ordinary shares of the Company	Approximate percentage of the issued share capital
Giant Glory Assets Limited <i>(Note 1)</i>	Beneficial interests	2,733,990,000(L)	47.31%
Honour Great Holdings Limited <i>(Note 2)</i>	Beneficial interests	500,475,000(L)	8.66%
Liu Lijuan <i>(Note 2)</i>	Interests of controlled corporation	500,475,000(L)	8.66%
Penta Investment Advisers Ltd. <i>(Note 3)</i>	Investment manager	932,925,000(L)	16.14%
John Zwaanstra <i>(Note 3)</i>	Interests of controlled corporation	932,925,000(L)	16.14%
Fortuna, LLC <i>(Note 4)</i>	Interests of controlled corporation	437,500,000(L)	7.57%
Mercurius Partners LP <i>(Note 4)</i>	Interests of controlled corporation	437,500,000(L)	7.57%
Penta Japan Fund, Limited <i>(Note 4)</i>	Interests of controlled corporation	437,500,000(L)	7.57%
Penta Master Fund, Limited <i>(Note 4)</i>	Beneficial interests	437,500,000(L)	7.57%

Report of the Directors *(Continued)*

Name	Capacity	Number of ordinary shares of the Company	Approximate percentage of the issued share capital
Mercurius GP LLP <i>(Note 5)</i>	Person who has set up a discretionary trust	437,500,000	7.57%
Todd Zwaanstra	Trustee	437,500,000	7.57%
Value Partners Limited <i>(Note 6)</i>	Investment manager	356,578,333(L)	7.26%
Cheah Cheng Hye <i>(Note 6)</i>	Interests of controlled corporation	356,578,333(L)	7.26%

(L) denotes long position

Notes:

- These 2,733,990,000 shares were held by Giant Glory Assets Limited. Giant Glory Assets Limited is wholly-owned by Dai Zhikang, an executive Director and the chairman of the Company. Dai Zhikang is therefore deemed to be interested in these 2,733,990,000 shares of the Company held by Giant Glory Assets Limited pursuant to the SFO.
- Liu Lijuan is the beneficial owner of the entire issued share capital of Honour Great Holdings Limited and therefore is deemed to be interested in the shares of the Company held by Honour Great Holdings Limited pursuant to the SFO.
- These include derivative interests in 625,000,000 shares of the Company. John Zwaanstra is the beneficial owner of the entire issued share capital of Penta Investment Advisers Ltd. and therefore is deemed to be interested in the shares of the Company held and deemed to be held by Penta Investment Advisers Ltd. pursuant to the SFO.
- These represent derivative interests in 437,500,000 shares of the Company. Fortuna, LLC has 99.75% control of Mercurius Partners LP, which has 38.16% control of Penta Japan Fund, Limited, which in turn has 100% control of Penta Master Fund Limited. Accordingly, Fortuna, LLC, Mercurius Partners LP and Penta Japan Fund, Limited are deemed to be interested in the shares of the Company interested by Penta Master Fund, Limited.
- These represent derivative interests in 437,500,000 shares of the Company. Mercurius GP LLP is foundary of Mercurius Partners Trust and has 99.75% control of Mercurius Partners LLP. Todd Zwaanstra is trustee of Mercurius Partners Trust. Accordingly Mercurius GP LLP and Todd Zwaanstra are deemed to be interested in the shares of the Company deemed to be interested by Mercurius Partners LLP.
- These include derivative interests in 265,833,333 shares of the Company. Cheah Cheng Hye is the beneficial owner of 35.65% issued share capital of Value Partners Limited and therefore is deemed to be interested in the shares of the Company held and deemed to be held by Value Partners Limited pursuant to the SFO.



Report of the Directors *(Continued)*

All interests stated above represent long position held in the shares of the Company. Save as disclosed above, as at 31 December 2006, no persons, other than a director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

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-rate basis to existing shareholders.

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

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's sales to the five largest customers accounted for 17% of the Group's turnover for the year, of which the largest customer accounted for 8% of the Group's turnover for the year.

During the year, the aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 19% and 31% respectively, of the Group's total purchases for the year.

None of the directors, their associates or any shareholders which to the knowledge of the directors, own more than 5% of the Company's share capital, had any interest in the share capital of any of the five largest customers or suppliers of the Group.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considered that the independent non-executive directors to be independent.



Report of the Directors *(Continued)*

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event are set out in note 52 to the financial statements.

AUDITORS

On 15 August 2005, KLL Associates CPA Limited resigned as auditors of the Company and on 7 September 2005 BDO McCabe Lo Limited was appointed as auditors of the Company.

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

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at 11 April 2007, being the Latest Practicable Date prior to the issue of this report, there was sufficient public float for the shares of the Company.

On behalf of the Board

Dai Zhikang

Director

April 11, 2007