BUSINESS REVIEW

During the year of 2006, the Group continued to focus principally on its core property investment business and recorded a net profit of approximately HK$193 million (2005: HK$148 million), an increase of 30.4% as compared with 2005.

PROPERTY INVESTMENT

Shanghai, PRC

The Group's Shanghai service apartment chain, operating under the name "Windsor Renaissance", has already built up a market niche in Shanghai and has continued to contribute a strong return of investment with occupancy rate consistently maintained over 90%. Our trademark, "Windsor Renaissance", which represents a symbol of high quality service apartments, has been nicely accepted by the expatriate community in Shanghai and our tenant base covers hundreds of multinational corporations from over the world. At present, a portfolio of around 400 service apartments and villas are under our management.

Zhuhai, PRC

The Group remains interested in its long-term property development strategy in the PRC despite the introduction of macro-economic measures to regulate property activities. On 12 June 2006, the Group acquired a land area of approximately 36,808 square metres in Zhuhai, PRC for a consideration of approximately RMB134 million (equivalent to approximately HK$129 million) by acquisition of a 100% equity interest of a property project development company in Zhuhai. The land is planned to be developed into a fully integrated shopping mall after completion of the demolition and removal of existing constructions thereon.

The Management believes that the acquisition will present a good opportunity for the Group to strengthen its business in the field of property development in the PRC and has confidence that the development of the land will bring reasonable profit to the Group.

Hong Kong

The investment properties in Hong Kong continued to maintain an occupancy rate of 70% and generated a steady rental revenue of approximately HK$26 million (2005: HK$31 million) to the Group for the year ended 31 December 2006.

On 15 May 2006, the Group disposed of the property of Multifield Building at North Point, Hong Kong for a consideration of HK$329 million. The disposal was completed on 8 August 2006 and the gain accrued to the Group upon completion was approximately HK$26.8 million. The net sale proceeds of approximately HK$326.8 million would be used to provide funding for the Group's development projects on hand and contemplated and to further strengthen the liquidity assets mix and the overall financial position of the Group.

STEEL TRADING

The Group did not engage in steel trading during the year under review since the management adopted a prudent approach to minimize risk exposure of steel prices which fluctuated significantly. Indeed, the PRC continued to implement macroeconomic control measures to rein in economic development during 2006, with bank borrowing rates raised and export tax rebate rates for steel products reduced. The management forecasted that the coming year would still be a hard time for international steel market and accordingly, much more effort has to be devoted to explore business opportunities.

PORTFOLIO INVESTMENTS

The Group continued to undertake portfolio investments during the year under review since the Group believes that substantial cash balances can be generated from time to time and limited portfolio investing activities will improve the return on cash balancs and enhance the Group's profitability. However, the Hong Kong and other overseas stock markets were very volatile and vulnerable during the year and as a result, the Group only performed to an acceptable level when marking the investment portfolios to the market valuation as at 31 December 2006.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flow and banking facilities provided by its principal bankers in Hong Kong and Shanghai. As at 31 December 2006, the Group had outstanding bank loans amounting to approximately HK$859 million (2005: HK$794 million), which were secured by legal charges on certain investment properties and properties held for sale in Hong Kong and Shanghai. As at 31 December 2006, among the total outstanding bank borrowings, HK$144 million (2005:HK$66 million) are repayable within one year, HK$64 million (2005: HK$65 million) are repayable in the second year with the remaining balance repayable beyond the second year. The Group’s cash and bank balances and short term bank deposits as at 31 December 2006 amounted to approximately HK$444 million. The Group’s gearing ratio as at 31 December 2006 was approximately 29% (2005: 29%) based on the total bank borrowings of approximately HK$859 million (2005: HK$794 million) and the aggregate of the shareholders’ funds, minority interests and total bank borrowings of approximately HK$2,993 million (2005: HK$2,726 million).

PERSONNEL

As at 31 December 2006, the Group had a total of 420 employees, of whom 390 were based in the PRC and 30 in Hong Kong. The remuneration packages of the Group’s employees are mainly based on their performance and experience, taking into account current industry practices.

In addition to the provision of provident fund scheme, medical allowance, in-house and external training programs, discretionary bonus and share option scheme are also available to employees based on their performance. The remuneration policy and packages of the Group’s employees are reviewed regularly.

PROSPECTS

Hong Kong’s economy continued to prosper, boosted by thriving global markets and the territory’s ongoing economic ties with the PRC. Demand continued to outstrip supply in office sector, pushing up rents and occupancy rates in commercial districts. The Group will continue to enhance its investment portfolio through its progressive yet steady growth strategy, focused on seeking for good investment opportunities.

In 2006, the real estate industry in the PRC moved into the consolidation stage after the PRC had continued to implement macro-economic control measures on the real estate market. Yet, according to the preliminary calculation of the State Statistics Bureau in the PRC, the national GDP for the year 2006 recorded an increase of 10.7% compared to that of 2005 based on comparable price basis. In fact, we are very optimistic about our serviced-apartment chain operation in Shanghai, as we have already established a firm footing and a strategic presence in Shanghai to deliver solid performance in this sector of business.

In the coming year of 2007, the Group will under the principle of prudence carefully while actively identify development projects that have good potential for development, and put much effort on identifying new development projects opportunities and high quality land banks for future growth in the Pearl River Delta. The Group will also enhance central administration and segment operations for its entities. We strongly believe that the Group has laid a solid foundation for transforming itself into an integrated real estate operator that develops and leases offices, residential and shopping malls.