

# Directors' Report

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2006.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in property letting, sales of land use rights and developed properties and investment holding in the People's Republic of China (the "PRC").

The principal activities of the Group's subsidiaries and co-operative joint venture are set out in note 19 to the financial statements.

## RESULTS

The results of the Group for the year then ended 31 December 2006 are set out in the consolidated income statement on page 26.

The directors do not recommend the payment of a final dividend for the year ended 31 December 2006.

## SEGMENT INFORMATION

The Group's revenue and results analysed by principal activities are set out in note 6 to the financial statements.

## SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 84. This summary does not form part of the audited financial statements.

## INVESTMENT PROPERTIES

Details of the movements in investment properties of the Group during the year are set out in note 15 to the financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movement in property, plant and equipment of the Group and of the Company during the year are set out in note 16 to the financial statements.

## SHARE CAPITAL AND SHARE OPTIONS

Details of the share capital and share options of the Company are set out in note 33 and 44 to the financial statements.

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## RESERVES

Movements in the reserves of the Group and of the Company during the year are set out on page 32 of the annual report and note 35(b) to the financial statements, respectively.

## DIRECTORS AND SERVICE CONTRACTS

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

### Executive Directors:

So Pang Gen (*Chairman and Managing Director*)

Lam Hon Keung, Keith (*Deputy Chairman*)

Choi Dun Woo

Su Bangyuan

### Independent Non-executive Directors:

Hui Yip Wing, David

Kee Wah Sze

Ku Siu Fung, Stephen

In accordance with Clause 99 of the Company's Bye-laws, Messrs. Lam Hon Keung, Keith and Hui Yip Wing, David retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The four executive directors have each entered into a service contract with the Company for an initial term of two years commencing on 4 June 2002 which will continue thereafter until terminated by either party on not less than 3 months' prior notice in writing or by payment of 3 months' salary in lieu of such notice.

The term of office for each non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

## DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2006, the interests of the directors and their associates in the ordinary shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

### Long position in ordinary shares of HK\$0.10 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. So Pang Gen	Held by discretionary trust*	182,470,000	62.36%

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## DIRECTORS' INTERESTS IN SECURITIES (Continued)

- \* These shares are held by International Offshore Development Limited, a company incorporated in the British Virgin Islands. Chance Fair International Development Limited ("China Fair International"), a company incorporated in Hong Kong, is the beneficial owner of the entire issued share capital of International Offshore Development Limited. Future Opportunity Limited, a company incorporated in the British Virgin Islands, is the beneficial owner of the entire issued share capital of Chance Fair International. Trustcorp Limited, a company incorporated in the Island of Jersey, Channel Islands which holds all the issued share capital of Future Opportunity Limited as trustee under a discretionary trust, the discretionary trust objects of which include the family members of Mr. So Pang Gen.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2006.

## DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Particulars of the Company's share option scheme are set out in note 34 to the financial statements.

2,480,000 shares options were granted to the Directors on 27 September 2005. No options were exercised by the Directors during the year. There were 2,480,000 outstanding share options granted to the Directors at the end of the year.

The total number of shares available for issue under the Company's share option scheme as the date of this report is 4,050,000, representing approximately 1.4% of the issued share capital of the Company as at that date.

Other than as disclosed above, at no time during the year was the Company, its holding companies or any of its subsidiaries, a party to any arrangements to enable the directors of the Company 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 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.

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2006, the register of substantial shareholders maintained by the Company pursuant to Section 336 of SFO shows that the director and his associated corporations stated under the paragraph headed "Directors' interests in securities" is the only substantial shareholder of the Company.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2006.

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## CONNECTED TRANSACTIONS

During the year, the Group had the following significant transactions with a connected party:

	<i>HK\$'000</i>
Rental paid to Chance Fair International ( <i>Note</i> )	193

*Note:* The Group entered into a sub-tenancy agreement with China Fair International, an intermediate holding company pursuant to which China Fair International agreed to sub-lease a portion of the office premises to the Group for a term commencing from 22 May 2003 to 21 May 2005 (both dates inclusive), which was further renewed from 22 May 2005 to 21 May 2006 (both dates inclusive) at a monthly rental of approximately HK\$32,000 exclusive of other charges. The agreement has been expired during the year.

The directors are of the opinion that the above transactions were carried out in the ordinary course of the Group's business.

Save as disclosed above, there were no other significant transactions which need to be disclosed as connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

## DIRECTORS' INTERESTS IN CONTRACTS

During the year, the Group paid rental fee of HK\$193,000 to Chance Fair International in which Mr. So Pang Gen has a beneficial interest.

No other contract of significance, to which the Company or any of its holding companies 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.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers were less than 46.8% of the Group's total sales.

There was no material construction contracts signed during the year.

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

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

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

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## 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.

## CORPORATE GOVERNANCE

The Company complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2006 except for deviations disclosed in Corporate Governance Report on page 17.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Rules Governing the Listing of Securities of the Stock Exchange (the "Model Code"). Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code/the required standard of dealing and the code of conduct regarding securities transactions by directors adopted by the Company.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on the Stock Exchange. The Company considers all of the independent non-executive directors are independent.

## SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2006.

## DONATIONS

During the year, the Group made charitable donations amounting to approximately HK\$265,000.

## AUDITORS

On 16 January, 2007, Messrs. Deloitte Touche Tohmatsu resigned as auditors of the Company, and Messrs. Grant Thornton were appointed as auditors of the Company to fill the casual vacancy so arising. There have been no other changes of the Company's auditors in the past three years. A resolution for the reappointment of Grant Thornton as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

**So Pang Gen**

*Chairman and Managing Director*

Hong Kong, 25 April 2007