

The Directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2006.

### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding. The principal activities of the subsidiaries include property development, property leasing and provision of building management services in Hong Kong and infrastructure facilities in the Mainland. Other particulars of the subsidiaries are set out in note 46 to the financial statements.

### **RESULTS AND DIVIDENDS**

The results of the Group for the year ended 31 December 2006 and the state of the Group's and the Company's affairs as at that date are set out in the financial statements on pages 29 to 89.

The Board recommends a payment of a final dividend of HK\$0.05 (2005: HK\$0.035) per share for the year ended 31 December 2006, subject to the approval of the shareholders at the forthcoming annual general meeting. The final dividend will be payable on or about 11 July 2007 to shareholders whose names appear on the register of members on 29 May 2007.

### **PROPERTY, PLANT AND EQUIPMENT**

Movements in property, plant and equipment during the year are set out in note 17 to the financial statements.

### **SUBSIDIARIES AND ASSOCIATES**

Particulars of the Group's principal subsidiaries and associates are set out in notes 46 and 20 to the financial statements.

### **BORROWINGS**

Particulars of the borrowings of the Group at the balance sheet date are set out in note 30 to the financial statements.

During the year, the Group has not capitalised any interest (2005: Nil).

### **SHARE CAPITAL**

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

### **RESERVES**

Movements in reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity on page 35 to 36 and in note 34 to the financial statements respectively.

### **WARRANTS**

Particulars of warrants are set out in note 36 to the financial statements.

### **CONVERTIBLE BOND**

Particulars of convertible bond are set out in note 31 to the financial statements.

**SHARE OPTIONS**

Particulars of the share options granted are set out in note 35 to the financial statements.

**FIVE-YEAR FINANCIAL SUMMARY**

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 91.

**PROPERTIES**

Particulars of the major properties held by the Group are set out on page 90.

**DIRECTORS**

The Directors of the Company are listed on page 2. The Directors' biographical information is set out on pages 5 to 6.

Pursuant to Bye-law 86(2) & 87(1), Madam Foo Kam Chu Grace, Mr. Tse Chun Kong Thomas, Mr. Meng Qinghui and Mr. Liang Yanfeng, existing directors of the Company, will be retiring from office at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

**DIRECTORS' SERVICE CONTRACTS**

Non-Executive Directors are not appointed for a specific term but are subject to retirement by rotation in accordance with the Bye-laws.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

**DIRECTORS' INTERESTS AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES****1. Directors' Interests in the Company**

As at 31 December 2006, the interests of the Directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which are required to be (i) notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(i) Long positions in the shares:

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of Shares</b>	<b>Approximate Percentage of Shareholding</b>
Foo Kam Chu, Grace	Interest of controlled corporation	156,783,709 (Note)	70.41
	Beneficial owner	96,000	0.04
Tse Chun Kong, Thomas	Interest of Spouse	6,000	0.00
	Beneficial owner	723	0.00

Note: The 156,783,709 shares are held by Ko Bee Limited, the entire issued share capital of which is held by Madam Foo Kam Chu, Grace.

- (ii) Long positions in underlying shares of equity derivatives of the Company — interests in share options of the Company (being granted and remained outstanding):

Name	Capacity	Number of Shares in the Option	Exercisable Period	Price of Grant (HK\$)	Subscription Price per Share (HK\$)
Foo Kam Chu, Grace	Beneficial owner	76,000	02/07/2001 to 24/02/2007	1.00	2.97
		200,000	06/01/2005 to 05/01/2010	1.00	1.47
		200,000	04/01/2006 to 03/01/2011	1.00	2.38
		200,000	20/05/2007 to 19/05/2012	1.00	2.52
Tse Chun Kong, Thomas	Beneficial owner	50,000	02/07/2001 to 24/02/2007	1.00	2.97
		60,000	08/01/2004 to 07/01/2009	1.00	1.50
		90,000	06/01/2005 to 05/01/2010	1.00	1.47
		90,000	04/01/2006 to 03/01/2011	1.00	2.38
		90,000	20/05/2007 to 19/05/2012	1.00	2.52
Chan Wai Ling	Beneficial owner	60,000	02/07/2001 to 24/02/2007	1.00	2.97
		60,000	08/01/2004 to 07/01/2009	1.00	1.50
		90,000	06/01/2005 to 05/01/2010	1.00	1.47
		90,000	04/01/2006 to 03/01/2011	1.00	2.38
		90,000	20/05/2007 to 19/05/2012	1.00	2.52
Kwan Chai Ming	Beneficial owner	20,000	01/06/2001 to 24/02/2007	1.00	12.40
		10,000	02/01/2002 to 24/02/2007	1.00	2.97
		80,000	04/01/2006 to 03/01/2011	1.00	2.38
		80,000	20/05/2007 to 19/05/2012	1.00	2.52
Meng Qinghui	Beneficial owner	60,000	08/01/2004 to 07/01/2009	1.00	1.50
		90,000	06/01/2005 to 05/01/2010	1.00	1.47
		90,000	04/01/2006 to 03/01/2011	1.00	2.38
		90,000	20/05/2007 to 19/05/2012	1.00	2.52

- (iii) Long positions in underlying shares of equity derivatives of the Company — interests in convertible bond each of which is convertible into one share at the conversion price of HK\$1.66:

Name of Director	Capacity	Principal Amount of Convertible bond	Number of Underlying Shares
Foo Kam Chu, Grace	Interest of Controlled Corporation	HK\$23,499,490	14,156,319 (Note)

Note: These underlying shares are held by Ko Bee Limited, a company wholly owned by Madam Foo Kam Chu, Grace who is deemed, by virtue of the SFO, to be interested in these underlying shares.

## 2. Director's Interests in Associated Corporation

Name of Director	Name of Associated Corporation	Capacity	Number and Class of Shares	Percentage of Shareholding
Foo Kam Chu, Grace	Ko Bee Limited	Beneficial owner	1 ordinary share	100

Save as disclosed above, as at 31 December 2006, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO which are required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed above and notes 31 and 35 to the financial statements, at no time during the year ended 31 December 2006, were rights to subscribe for equity or debt securities of the Company granted to any Director or chief executive of the Company or to the spouse or children under 18 years of age of any such Director or chief executive as recorded in the register required to be kept under Part XV of the SFO, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable any such persons to acquire any such rights in any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2006, the persons other than a Director or chief executive of the Company who has an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, were as follows:

### 1. Long positions in the Shares

Name of Shareholder	Capacity	Number of Shares	Approximate Percentage of Shareholding
Ko Bee Limited	Beneficial owner	156,783,709	70.41

### 2. Long positions in underlying shares of equity derivatives of the Company – interest in the convertible bond of the Company:

Name of Shareholder	Capacity	Principal Amount of Convertible bond	Number of Underlying Shares
Ko Bee Limited	Beneficial owner	HK\$23,499,490	14,156,319

Save as disclosed above, as at 31 December 2006, the Company has not been notified of any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

### **DIRECTORS' INTERESTS IN CONTRACTS**

Save as disclosed in (i) the paragraph under the heading of "Directors' Right to Acquire Shares and Debentures" above and (ii) paragraphs (a) to (d) under the heading of "Related Party Transactions" in note 41 to the financial statements, no contracts of significance in relation to the Company's business to which the Company was a party, and in which a Director 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, approximately 9% of the Group's purchases were attributable to the Group's largest supplier and approximately 22% of the Group's purchases were attributable to the Group's five largest suppliers.

During the year, approximately 8% of the Group's turnover were attributable to the Group's largest customer and approximately 30% of the Group's turnover were attributable to the Group's five largest customers.

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has any interest in the Group's five largest suppliers or customers.

### **CONNECTED TRANSACTIONS**

During the year, other than those, the disclosure of which is exempted pursuant to Rule 14A.31 and 14A.65 of the Listing Rules (details of such connected transactions being also related party transactions are mentioned in note 41 to the financial statements), there were no other connected transaction (as defined under Chapter 14A of the Listing Rules) entered into.

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

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

### **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

### **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of its Directors, it is confirmed that there is sufficient public float of the Company's shares in the market as at 23 April 2007, the latest practicable date prior to the issue of this annual report.

## AUDITORS

Messrs. Grant Thornton, Certified Public Accountants ("GT") was appointed on 3 April 2003 as auditors of the Company.

GT had resigned as auditors of the Company and its subsidiaries with effect from 12 January 2006. CCIF CPA Limited was then proposed to be appointed as the new auditors to fill the vacancy following the resignation of GT. Due to the concern of certain bank creditor on the frequent change of auditors, GT was therefore re-appointed as the Company's auditor in the special general meeting convened on 28 March 2006.

A resolution will be submitted to the forthcoming annual general meeting to re-appoint GT as auditors of the Company.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 22 May 2007 to Tuesday, 29 May 2007 (both dates inclusive), for the purpose of determination of entitlement to final dividend, during which no transfer of share will be registered. In order to qualify for the final dividend, all transfer of shares accompanied by the relevant share certificates and transfer form must be lodged with the Company's branch share registrar in Hong Kong, Standard Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Monday, 21 May 2007.

By order of the Board

**Foo Kam Chu, Grace**

*Chairman*

Hong Kong, 23 April 2007