
The Directors present their annual report and the audited financial statements for the nine months ended 31 December 2006.

CHANGE OF FINANCIAL YEAR END DATE

During the period, the Company resolved to change the date of its financial year end from 31 March to 31 December in order to align the financial reporting dates within the Group. The consolidated financial statements presented for the current period therefore cover the nine months from 1 April 2006 to 31 December 2006.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries and jointly controlled entities are set out in notes 45 and 46 to the consolidated financial statements respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the period are set out in the consolidated income statement on pages 67 and 68.

The Directors now recommend the payment of a final dividend of HK\$0.52 per share to the shareholders on the register of members on 5 June 2007, amounting to HK\$147.6 million.

SHARE CAPITAL

Details of movements in the share capital of the Company during the period are set out in note 32 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group during the period are set out in note 33 to the consolidated financial statements.

Under the Companies Act 1981 of Bermuda (as amended), in addition to retained profits, contributed surplus is also distributable to the shareholders of the Company. However, the Company cannot declare or pay a dividend or make a distribution out of contributed surplus if:

- (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

At 31 December 2006, the Company's reserves, including the contributed surplus, available for distribution to shareholders amounted to HK\$354.7 million (31 March 2006: HK\$631.9 million).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 152.

INVESTMENT PROPERTIES

The Group's investment properties were revalued at 31 December 2006, as set out in note 17 to the consolidated financial statements. The increase in fair value amounting to HK\$1.4 million has been recognised in the consolidated income statement.

PROPERTY, PLANT AND EQUIPMENT

Details of additions to and other movements during the period in the property, plant and equipment of the Group are set out in note 18 to the consolidated financial statements.

MAJOR PROPERTIES

Details of the major properties of the Group at 31 December 2006 are set out on page 151.

DIRECTORS

The Directors of the Company during the period and up to the date of this report were:

Executive Directors:

Mr. Lo Hong Sui, Vincent
Mr. Choi Yuk Keung, Lawrence
Mr. Wong Yuet Leung, Frankie
Mr. Wong Fook Lam, Raymond
Mrs. Lowe Hoh Wai Wan, Vivien
Mr. Wong Ying Wai, Wilfred (resigned on 1 June 2006)

Non-executive Directors:

Professor Michael John Enright
Mr. Wong Hak Wood, Louis (resigned on 1 June 2006)

Independent Non-executive Directors:

Mr. Anthony Griffiths
Mr. Cheng Mo Chi, Moses
Professor K.C. Chan

In accordance with the Company's Bye-laws, Mr. Anthony Griffiths and Professor Michael John Enright shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

No Director proposed 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.

The term of office of each Non-executive Director and Independent Non-executive Director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

At 31 December 2006, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be 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 are taken or deemed to have been taken under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") or which were required to be entered in the register required to be kept under section 352 of the SFO were as follows:

(a) Long position in the shares of the Company

Name of Director	Number of ordinary shares in the Company		Approximate percentage of shareholding in the Company
	Personal interests	Other interests	
Mr. Lo Hong Sui, Vincent	—	189,615,000 (Note)	66.86%
Mr. Choi Yuk Keung, Lawrence	740,000	—	0.26%
Mr. Wong Fook Lam, Raymond	700,000	—	0.25%
Mrs. Lowe Hoh Wai Wan, Vivien	408,000	—	0.14%

Note:

These shares comprise 181,871,000 shares beneficially owned by Shui On Company Limited ("SOCL") and 7,744,000 shares and underlying shares in which SOCL is deemed to be interested under sections 317 and 318 of the SFO.

Among the 181,871,000 shares beneficially owned by SOCL, 166,148,000 shares and 15,723,000 shares were held respectively by SOCL and Shui On Finance Company Limited, which is an indirect wholly-owned subsidiary of SOCL. SOCL is owned by the Bosrich Unit Trust, the trustee of which is Bosrich Holdings Inc. The units of the Bosrich Unit Trust are the property of a discretionary trust, of which Mr. Lo Hong Sui, Vincent is a discretionary beneficiary and HSBC International Trustee Limited is the trustee. Accordingly, Mr. Lo Hong Sui, Vincent, HSBC International Trustee Limited and Bosrich Holdings Inc. are deemed to be interested in such shares under the SFO.

On 27 August 2002, SOCL granted call options over certain existing shares of the Company beneficially owned by SOCL to each of Mr. Wong Ying Wai, Wilfred ("Mr. Wilfred Wong"), Mr. Wong Hak Wood, Louis ("Mr. Louis Wong") and Mr. Wong Yuet Leung, Frankie as part of an incentive reward for their services to the Company. A maximum of 50% of the shares transferred or to be transferred upon exercise of call options are subject to a restriction of disposal within 12 months from the date such shares are transferred. Mr. Wilfred Wong and Mr. Louis Wong have exercised all their call options and accordingly are deemed to be parties to an agreement to acquire shares under sections 317 and 318 of the SFO. As such, SOCL is deemed to be interested in the shares and underlying shares owned by Mr. Wilfred Wong and Mr. Louis Wong.

(b) Short position in the shares of the Company

Name of Director	Number of ordinary shares in the Company		Approximate percentage of shareholding in the Company
	Personal interests	Other interests	
Mr. Lo Hong Sui, Vincent	—	1,600,000 (Note)	0.56%

Note:

These shares represent the outstanding balance of the call options granted by SOCL under the call option arrangement mentioned in the note to item (a) above.

(c) Share options of the Company

Pursuant to the share option scheme of the Company, certain Directors were granted share options to subscribe for the shares of the Company and details of the Directors' interests in share options were set out under the section headed "Share Options" below.

(d) Call option over the shares of the Company

At 31 December 2006, the following Director had a call option granted by SOCL over the shares of the Company pursuant to the arrangement mentioned in the note to item (a) above:

Name of Director	Exercise price	Exercise period	Number of ordinary shares subject to the call option
Mr. Wong Yuet Leung, Frankie	HK\$6.00	27-8-2005 to 26-8-2010	1,600,000

(e) Long position in the shares of Shui On Land Limited (“SOL”)

Name of Director	Number of ordinary shares in SOL		Approximate percentage of shareholding in SOL
	Personal interests	Other interests	
Mr. Lo Hong Sui, Vincent	—	2,250,565,225 (Note)	53.78%

Note:

These shares are directly held by subsidiaries of SOCL, namely, Shui On Properties Limited, Shui On Investment Company Limited and New Rainbow Investments Limited. SOCL is owned by the Bosrich Unit Trust. The units of the Bosrich Unit Trust are the property of a discretionary trust, of which Mr. Lo Hong Sui, Vincent is a discretionary beneficiary. Accordingly, Mr. Lo Hong Sui, Vincent is deemed to be interested in such shares under the SFO.

Save as disclosed above, at 31 December 2006, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be 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 were taken or deemed to have been taken under such provisions of the SFO) or the Model Code or which were required to be entered in the register required to be kept under section 352 of the SFO.

SHARE OPTIONS

Particulars of the Company's share option schemes are set out in note 38 to the consolidated financial statements.

Grants of options on or after 27 August 2002 were made pursuant to the share option scheme of the Company adopted on 27 August 2002. Grants of options prior to 27 August 2002 were made under the share option scheme of the Company (“Old Scheme”) adopted on 20 January 1997 and terminated on 27 August 2002. All options granted previously under the Old Scheme continue to be valid and exercisable.

The movements in the share options of the Company during the period are set out as follows:

Name or category of eligible participants	Date of grant	Subscription price per share HK\$	Number of options						Period during which options outstanding at 31.12.2006 are exercisable	Price of Company's shares at exercise date of options (Note c) HK\$	
			At 1.4.2006	Transferred from other category during the period (Note b)	Granted during the period (Note a)	Exercised during the period	Lapsed during the period	Transferred to other category during the period (Note b)			At 31.12.2006
Directors											
Mr. Choi Yuk Keung, Lawrence	17.7.2001	9.30	140,000	—	—	(140,000)	—	—	—	17.1.2002 to 16.7.2006	16.00
	27.8.2002	6.00	168,000	—	—	—	—	—	168,000	27.2.2003 to 26.8.2007	—
	27.8.2002	6.00	2,175,000	—	—	—	—	—	2,175,000	27.8.2005 to 26.8.2010	—
Mr. Wong Yuet Leung, Frankie	17.7.2001	9.30	200,000	—	—	(200,000)	—	—	—	17.1.2002 to 16.7.2006	16.00
	27.8.2002	6.00	160,000	—	—	(160,000)	—	—	—	27.2.2003 to 26.8.2007	14.04
	27.8.2002	6.00	1,600,000	—	—	—	—	—	1,600,000	27.8.2005 to 26.8.2010	—
	1.8.2006	14.00	—	—	2,000,000	—	—	—	2,000,000	1.2.2007 to 31.7.2011	—
Mr. Wong Fook Lam, Raymond	17.7.2001	9.30	160,000	—	—	(160,000)	—	—	—	17.1.2002 to 16.7.2006	16.00
	27.8.2002	6.00	110,000	—	—	(110,000)	—	—	—	27.2.2003 to 26.8.2007	13.68
	27.8.2002	6.00	1,300,000	—	—	(1,300,000)	—	—	—	27.8.2005 to 26.8.2010	14.84
	1.8.2006	14.00	—	—	176,000	—	—	—	176,000	1.2.2007 to 31.7.2011	—
Mrs. Lowe Hoh Wai Wan, Vivien	17.7.2001	9.30	160,000	—	—	(160,000)	—	—	—	17.1.2002 to 16.7.2006	18.00
	27.8.2002	6.00	66,000	—	—	(66,000)	—	—	—	27.2.2003 to 26.8.2007	15.18
	27.8.2002	6.00	900,000	—	—	(240,000)	—	—	660,000	27.8.2005 to 26.8.2010	14.08
	1.8.2006	14.00	—	—	150,000	—	—	—	150,000	1.2.2007 to 31.7.2011	—
Mr. Wong Ying Wai, Wilfred (resigned on 1 June 2006)	27.8.2002	6.00	80,000	—	—	—	—	(80,000)	—	27.2.2003 to 26.8.2007	—
	27.8.2002	6.00	3,500,000	—	—	—	—	(3,500,000)	—	27.8.2005 to 26.8.2010	—
Mr. Wong Hak Wood, Louis (resigned on 1 June 2006)	17.7.2001	9.30	280,000	—	—	—	—	(280,000)	—	17.1.2002 to 16.7.2006	—
	27.8.2002	6.00	88,000	—	—	—	—	(88,000)	—	27.2.2003 to 26.8.2007	—
	27.8.2002	6.00	1,000,000	—	—	—	—	(1,000,000)	—	27.8.2005 to 26.8.2010	—
Sub-total			12,087,000	—	2,326,000	(2,536,000)	—	(4,948,000)	6,929,000		
Employees (in aggregate)											
Employees (in aggregate)	17.7.2001	9.30	96,000	—	—	(96,000)	—	—	—	17.1.2002 to 16.7.2006	18.38
	27.8.2002	6.00	382,000	—	—	(266,000)	(12,000)	—	104,000	27.2.2003 to 26.8.2007	14.47
	27.8.2002	6.00	610,000	—	—	(610,000)	—	—	—	27.8.2005 to 26.8.2010	17.96
	4.8.2003	5.80	314,000	—	—	(124,000)	—	—	190,000	4.2.2004 to 3.8.2008	14.97
	26.7.2004	7.25	632,000	—	—	(178,000)	—	—	454,000	26.1.2005 to 25.7.2009	14.46
	29.7.2005	9.30	986,000	—	—	(210,000)	—	—	776,000	29.1.2006 to 28.7.2010	15.41
	1.8.2006	14.00	—	—	1,780,000	—	—	—	1,780,000	1.2.2007 to 31.7.2011	—
Sub-total			3,020,000	—	1,780,000	(1,484,000)	(12,000)	—	3,304,000		
Others											
Others	17.7.2001	9.30	—	280,000	—	(280,000)	—	—	—	17.1.2002 to 16.7.2006	18.00
	27.8.2002	6.00	—	168,000	—	(168,000)	—	—	—	27.2.2003 to 26.8.2007	15.06
	27.8.2002	6.00	—	4,500,000	—	(4,500,000)	—	—	—	27.8.2005 to 26.8.2010	16.21
Sub-total			—	4,948,000	—	(4,948,000)	—	—	—		
			15,107,000	4,948,000	4,106,000	(8,968,000)	(12,000)	(4,948,000)	10,233,000		

Notes:

- The closing price of the Company's shares preceding the date on which the options were granted was HK\$13.60.
- The share options held by Mr. Wilfred Wong and Mr. Louis Wong, former Directors of the Company, were re-classified under the category "Others" after their resignation as Directors of the Company on 1 June 2006.
- The price of the Company's shares as disclosed is the weighted average closing price of the Company's shares immediately before the dates on which the options were exercised during the period for each category of eligible participants.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below and under the section headed "Interests of directors and chief executive" above, the Directors are not aware of any other person (other than a Director or chief executive of the Company or his/her respective associate(s)) who, at 31 December 2006, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Aggregate interests	
	Number of ordinary shares in the Company	Percentage of shareholding in the Company
Mr. Louis Wong	189,615,000 (Note i)	66.86%
Mr. Wilfred Wong	189,615,000 (Note i)	66.86%
Mr. John Zwaanstra	25,185,251 (Note ii)	8.88%

Notes:

- (i) These shares include the aggregate interests of SOCL deemed under sections 317 and 318 of the SFO as mentioned in the note to item (a) under the section headed "Interests of directors and chief executive" above.
- (ii) These shares are held by Penta Investment Advisers Limited which is wholly owned by Mr. John Zwaanstra.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the period was the Company, its ultimate holding company 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.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

CORPORATE GOVERNANCE

The Company has complied throughout the nine months ended 31 December 2006 with the Code on Corporate Governance Practices ("CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") except for the deviations from Code Provisions A.4.1 and A.4.2. Details are set out in the Corporate Governance Report on pages 30 to 40.

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors. Following specific enquiry by the Company, the Directors confirmed that they had complied with the required standard set out in the Model Code during the nine months ended 31 December 2006.

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 Listing Rules. The Company considers all the Independent Non-executive Directors to be independent.

CONNECTED TRANSACTIONS

- (1) 上海瑞安建築有限公司 (Shanghai Shui On Construction Co., Ltd.) ("SSOC") became a subsidiary of the Company on 1 October 2006. Since then, construction contracts awarded by SOL and its subsidiaries in favour of SSOC under a framework agreement dated 4 June 2006 made between SOL and SSOC (the "Framework Agreement") constitute continuing connected transactions of the Company. Mr. Lo Hong Sui, Vincent is the chairman of the Company and has a substantial interest in the issued share capital of the Company. Mr. Lo is also the chairman and a substantial shareholder of SOL. SOL is therefore an associate of a connected person of the Company. The Framework Agreement, the continuing connected transactions contemplated thereunder and the cap for the three financial years ending 31 December 2008 are subject to independent shareholders' approval, which has been obtained at a special general meeting of the Company held at the date hereof. Details of the transactions are set out in an announcement and a circular of the Company dated 15 February 2007 and 8 March 2007 respectively.

The Directors, including the Independent Non-executive Directors, confirm that the transactions have been entered into by the Company in the ordinary and usual course of its business, on normal commercial terms, and in accordance with the terms of the Framework Agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.38 of the Listing Rules, the Board of Directors engaged the auditors of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditors have reported their factual findings on these procedures to the Board of Directors.

- (2) During the period, the management fee and performance fee payable by On Capital China Tech Fund ("On Capital") to the investment management company controlled and owned by Mr. Laurie Kan were estimated to be HK\$2.1 million and HK\$8.4 million respectively. On Capital is a company in which the Group owns one management share, representing 50% of the voting share capital, and approximately 66.83% interest in participating shares without voting rights. Mr. Laurie Kan is a director of On Capital and brother-in-law of Mr. Wilfred Wong, a former Director of the Company. The board composition of On Capital was controlled by the Group and as such, On Capital was treated as a subsidiary of the Group. The aforesaid payment of management fee and performance fee for the period from 1 April 2006 to 29 December 2006 constitutes continuing connected transaction of the Company and is subject to the disclosure requirement under the Listing Rules. An announcement will be issued by the Company in this respect. Following the change of the composition of the board of On Capital on 29 December 2006, On Capital has become a jointly controlled entity of the Group.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as aforesaid under the section headed "Connected Transactions", no contracts of significance, to which the Company, its ultimate holding company or any of its 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 period or at any time during the period.

REMUNERATION POLICY

The remuneration policy of the Group to reward its employees is based on their performance, qualifications and competence displayed.

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees. Details of the scheme are set out in note 38 to the consolidated financial statements.

PROVIDENT AND RETIREMENT FUND SCHEMES

Details of the Group's provident and retirement fund schemes are shown in note 35 to the consolidated financial statements.



MAJOR SUPPLIERS AND MAJOR CUSTOMERS

The five largest suppliers of the Group accounted for less than 25% of the total purchases of the Group in the period.

The five largest customers of the Group accounted for approximately 72% of the total turnover of the Group in the period with the largest customer, HKSAR Government - Architectural Services Department, accounting for approximately 43% of the turnover of the Group.

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 a beneficial interest in the Group's five largest customers.

DONATIONS

During the period, the Company and its subsidiaries made donations of HK\$4.2 million to business associations and institutions.

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.

SUFFICIENCY OF PUBLIC FLOAT

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

DISCLOSURE UNDER RULES 13.21 AND 13.22 OF THE LISTING RULES

(i) Financial assistance and guarantees to affiliated companies

Financial assistance and guarantees provided by the Group to its affiliated companies amounted to HK\$1,324.7 million at 31 December 2006, details of which are as follows:

Affiliated companies	Balance at 31 December 2006					Total HK\$ million
	Unsecured loans					
	Effective percentage of interest	Interest free	Interest bearing	Guarantees given		
		with no fixed repayment terms	with no fixed repayment terms			
	HK\$ million	HK\$ million (Note a)	HK\$ million (Note b)			
Brisfull Limited	50%	1.3	42.7	—	44.0	
Channel Pacific Limited	50%	0.2	—	—	0.2	
Chengdu Shui On Huida Property Co., Ltd.	50%	—	—	120.0	120.0	
Coral Waters (Barbados) SRL	50%	2.0	—	—	2.0	
Guangzhou On Track Construction Precast Products Company Ltd.	40%	1.7	—	—	1.7	
Guizhou Bijie Shui On Cement Co. Ltd.	80%	7.1	44.0	—	51.1	
Guizhou Changda Shui On Cement Co. Ltd.	51%	4.3	—	—	4.3	
Guizhou Kaili Ken On Concrete Co. Ltd.	75%	3.4	1.9	—	5.3	
Guizhou Kaili Shui On Cement Co. Ltd.	90%	31.7	20.0	—	51.7	
Guizhou Xinpu Shui On Cement Co. Ltd.	36%	0.7	—	—	0.7	
Guizhou Xishui Shui On Cement Co. Ltd.	90%	30.4	—	—	30.4	
Guizhou Yuqing Shui On Cement Co. Ltd.	80%	1.3	—	—	1.3	
Guizhou Zunyi Ken On Concrete Co. Ltd.	75%	2.9	2.8	—	5.7	
Guizhou Zunyi Shui On Cement Co. Ltd.	80%	76.7	—	—	76.7	
Lafarge Shui On Cement Limited	45%	382.8	—	—	382.8	
Lamma Yue Jie Company Limited	60%	17.0	—	—	17.0	
Mountain Breeze (Barbados) SRL	50%	121.1	—	—	121.1	
Mountain Mist (Barbados) SRL	45%	4.2	—	—	4.2	
Nanjing Jiangnan Cement Company Limited	60%	129.7	—	—	129.7	
Prime Allied Enterprises Limited	45%	0.2	—	—	0.2	
Prosper Idea Limited	50%	175.9	—	—	175.9	
Sichuan Hejiang Shui On Cement Co. Ltd.	90%	2.2	20.4	—	22.6	
Sommerset Investments Limited	45%	0.7	—	—	0.7	
The Yangtze Ventures II Limited	75%	75.4	—	—	75.4	
		1,072.9	131.8	120.0	1,324.7	

(i) Financial assistance and guarantees to affiliated companies
(continued)

The proforma combined balance sheet of the above affiliated companies at 31 December 2006 is as follows:

	HK\$ million
Non-current assets	9,637.9
Current assets	4,925.0
Current liabilities	(5,862.4)
Net current liabilities	(937.4)
Non-current liabilities	(3,253.7)
Minority interests	(1,022.7)
Shareholders' funds	4,424.1

Details of the above affiliated companies are set out in note 46 to the consolidated financial statements.

Notes:

- a. Loans made by the Group to the following affiliated companies are charged at various interest rates.

Affiliated companies	Interest rate per annum
Brisfull Limited	Fixed at 2.5%
Guizhou Bijie Shui On Cement Co. Ltd.	HIBOR + 2%
Guizhou Kaili Ken On Concrete Co. Ltd.	HIBOR + 2%
Guizhou Kaili Shui On Cement Co. Ltd.	HIBOR + 2%
Guizhou Zunyi Ken On Concrete Co. Ltd.	HIBOR + 2%
Sichuan Hejiang Shui On Cement Co. Ltd.	HIBOR + 2%

- b. The Group has arranged a standby letter of credit of HK\$120 million to secure a bank loan of Rmb110 million granted to the affiliated company.
- c. All affiliated companies are accounted for as jointly controlled entities of the Group.

Loans to the aforesaid affiliated companies, funded by internal resources and bank borrowings, were made for the purposes of investment in and/or working capital for these companies.

(ii) Banking facilities with covenants relating to specific performance of the controlling shareholders

The Company was granted the following banking facilities:

- a. a 3-year revolving loan of HK\$150 million in April 2004;
- b. two 3-year revolving loans, each amounting to HK\$200 million and totalling HK\$400 million, in October 2004;
- c. a 2-year revolving loan of HK\$200 million in January 2005; and
- d. a 3-year term loan of HK\$200 million in February 2005.

These loans require SOCL and/or Mr. Lo Hong Sui, Vincent, who is a discretionary beneficiary of a discretionary trust which holds SOCL, to retain an equity interest of not less than 50 per cent. in the Company throughout the tenure of the related loan agreements. A breach of such obligation will cause a default in respect of these loans.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Lo Hong Sui, Vincent
Chairman

12 April 2007