

Report of the Directors

The Directors are pleased to present their annual report together with the audited financial statements of the Group for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in property development, property management and decoration service.

An analysis of the Group's turnover and operating profit for the year by principal activities is set out in note 5 to the consolidated accounts.

MAJOR CUSTOMERS AND SUPPLIERS

The Directors believe that the five largest customers of the Group accounted for less than 30% of the Group's sales in the year while the five largest suppliers of the Group accounted for less than 30% of the Group's purchases in the year.

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

RESULTS

The results of the Group for the year ended 31 December 2006 are set out on pages 138.

DIVIDEND

The Board recommends the payment of a final dividend of HK7.0 cents (2005: HK2.8 cents) per share for the year ended 31 December 2006 to shareholders whose names appear on the register of member of the Company on 7 June 2007. The proposed final dividend will be paid on or about 15 June 2007 subject to approval at the forthcoming annual general meeting of the Company.

An interim dividend of HK5.0 cents (2005: N/A) per share paid on 22 September 2006. The interim dividend together with the proposed final dividend making a total dividend of HK12.0 cents per share for the full year ended 31 December 2006 (2005: HK2.8 cents).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year are set out in note 6 to the consolidated accounts.

BORROWINGS AND INTEREST CAPITALISED

Borrowings repayable on demand or within one year are classified under current liabilities. Details of the long-term borrowings are set out in note 17 to the consolidated accounts. Interest and other borrowing costs capitalised by the Group during the year are set out in note 25 to the consolidated accounts.

RESERVES

Details of the movements in reserves during the year are set out in note 16 to the consolidated accounts and in the consolidated accounts of changes in equity.

CHARITABLE DONATIONS

The charitable donations made by the Group during the year amounted to HK\$9,195,000 (2005: HK\$6,162,000).

FIVE-YEAR FINANCIAL SUMMARY

A five-year financial summary of the Group is set out on pages 190 to 192.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors

Mr. Chen Zhuo Lin (*Chairman*)
 Mr. Chan Cheuk Yin (*Vice-Chairman & Co-President*)
 Ms. Luk Sin Fong, Fion (*Vice-Chairlady & Co-President*)
 Mr. Chan Cheuk Hung
 Mr. Chan Cheuk Hei
 Mr. Chan Cheuk Nam

Independent Non-Executive Directors

Dr. Cheng Hon Kwan
 Mr. Kwong Che Keung, Gordon
 Mr. Cheung Wing Yui

In accordance with the Company's articles of association, Mr. Chan Cheuk Hung, Mr. Chan Cheuk Nam and Mr. Cheung Wing Yui will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

None of the Directors has a service contact with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies 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.

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DIRECTORS' INTERESTS IN COMPETING BUSINESS

In order to eliminate competing business with the Group, on 23 November 2005, Chen Zhuo Lin, Chan Cheuk Yin, Luk Sin Fong, Fion, Chan Cheuk Hung, Chan Cheuk Hei and Chan Cheuk Nam entered into a deed of non-competition with the Company.

As at the date of this report, none of the Directors are considered to have any interest, either direct or indirect, in businesses which compete or are likely to compete with the businesses of the Group pursuant to the Listing Rules.

CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, the following connected transactions require disclosure in the annual report of the Company. The connected transactions which also constitute significant related party transactions are set out in note 33 to the consolidated accounts.

Provision of golf facilities by Zhongshan Changjiang Golf Course to members of the Group (the "Golf Services Arrangement")

On 1 September 2005, the Company and Zhongshan Changjiang Golf Course entered into an agreement pursuant to which Zhongshan Changjiang Golf Course agreed to provide golf facilities to members of the Group from time to time. The agreement is for the period commencing on the date of the proposed listing and ending on 31 December 2007.

The arrangement involves the provision of golf facilities to staff members and business associates of the Group, including suppliers, contractors and customers of the Group.

For each of the three years ended 31 December 2003, 2004 and 2005, fees paid to Zhongshan Changjiang Golf Course amounted to approximately RMB127,154, RMB1,646,099 and RMB1,970,000, respectively.

The proposed annual value of the above transactions will not exceed RMB2,000,000, RMB2,000,000, RMB2,000,000 for the three financial years ending 31 December 2005, 2006 and 2007 respectively (the "Golf Caps"). The Golf Caps are determined with reference to the historical transaction amounts and the anticipated increase in the transaction amounts in respect of the Golf Services Arrangement after the listing.

Zhongshan Changjiang Golf Course is beneficially owned as to 19% by Chan Cheuk Yin, as to 13% by Chan Cheuk Hei, as to 13% by Chan Cheuk Hung, as to 13% by Chan Cheuk Nam, as to 17% by Luk Sin Fong, Fion and as to 25% by Chen Zhuo Lin, each an executive Director. Hence Zhongshan Changjiang Golf Course is a connected person of the Company (as defined in the Listing Rules).

Such transactions for the year ended 31 December 2006 amounted to RMB3,593,000 (equivalent to HK\$3,576,192).

Since each of the percentage ratios (other than the profits ratio) under Chapter 14 of the Listing Rules is less than 0.1%, the transactions in respect of the Golf Services Arrangement for the years ending 31 December 2006 shall constitute continuing connected transactions for the Company under Rule 14A.33 of the Listing Rules which are exempted from the reporting, announcement and independent shareholders' approval requirement.

The independent non-executive Directors reviewed the continuing connected transactions of Golf Services Arrangement (“Continuing Golf Connected Transactions”) and were of the opinion that:

- (a) the Continuing Golf Connected Transactions were applied to the Stock Exchange for a waiver from strict compliance with the announcement requirement under Rule 14A.47 of the Listing Rules by the Company on 7 November 2005;
- (b) the Continuing Golf Connected Transactions had been:
 - (i) carried out in the ordinary and usual course of business of the Group;
 - (ii) conducted on normal commercial terms; and
 - (iii) entered into in accordance with the terms of the relevant engagement/commission agreements; and
- (c) the aggregate amount of the Continuing Golf Connected Transactions for the financial year ended 31 December 2006 exceeded RMB\$2,000,000. Based on the financial information as disclosed in the Group’s annual report for the year ended 31 December 2006, each of the percentage ratios (other than the profits ratio) under Chapter 14 of the Listing Rules is less than 0.1%, the transactions in respect of the Golf Services Arrangement for the years ending 31 December 2006 constitute continuing connected transactions of the Company under Rule 14A.33 of the Listing Rules which are exempted from the reporting, announcement and independent shareholders’ approval requirement.

Based on the work performed, the auditors of the Company have confirmed that the Continuing Golf Connected Transactions (a) have been approved by the Board; (b) have been entered into in accordance with the terms of the relevant agreements governing the transactions; and (c) have exceeded the caps allowed by the Stock Exchange in the previous waiver but based on the financial information as disclosed in the Group’s annual report for the year ended 31 December 2006, each of the percentage ratios (other than the profits ratio) under Chapter 14 of the Listing Rules is less than 0.1%, the transactions in respect of the Golf Services Arrangement for the years ending 31 December 2006 constitute continuing connected transactions of the Company under Rule 14A.33 of the Listing Rules which are exempted from the reporting, announcement and independent shareholders’ approval requirement.

SPECIFIC PERFORMANCE OBLIGATIONS OF THE CONTROLLING SHAREHOLDER

No specific performance obligations of the controlling shareholder are required to be disclosed under paragraph 13.18 of Chapter 13 of the Listing Rules of the Stock Exchange.

SHARE OPTIONS

On 23 November 2005, the Company adopted a share option scheme (the “Share Option Scheme”). No options have been granted under the Share Option Scheme since its adoption.

Pursuant to the Share Option Scheme approved by the shareholders on 23 November 2005, the following is a summary of the Share Option Scheme disclosed in accordance with the Listing Rules:

1. Purpose of the Share Option Scheme:

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- a. motivate the eligible participants to optimise their performance efficiency for the benefit of the Group; and
- b. attract and retain or otherwise maintain on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group.

2. Participants of the Share Option Scheme:

- a. any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;
- b. any Directors (including non-executive Directors and independent non-executive Directors) of the Company or any of its subsidiaries;
- c. any advisors, consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and
- d. such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Group, the assessment criteria of which are:
 - (i) contribution to the development and performance of the Group;
 - (ii) quality of work performed for the Group;
 - (iii) initiative and commitment in performing his/her duties; and
 - (iv) length of service or contribution to the Group.

3. Total number of shares available for issue under the Share Option Scheme and percentage of issued share capital at 31 December 2006:

The number of share options available for issue under the Share Option Scheme is 346,526,000 shares representing 9.25% of the issued share capital as at 31 December 2006.

4. Maximum entitlement of each participant under the Share Option Scheme:

The maximum entitlement for each participant is that the total number of shares of the Company issued and to be issued upon exercise of the options granted to each participant (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares of the Company in issue. Any grant of further options above this limit shall be subject to certain requirements as stipulated in the rules of the Share Option Scheme.

5. The period within which the shares must be taken up under an option:

Commencing on the date of grant of an option and expiring on 10 years from that date.

6. The minimum period for which an option must be held before it can be exercised:

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

7. The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made, or loans for such purposes must be paid:

Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

8. The basis of determining the exercise price:

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of the following:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

9. The remaining life of the Share Option Scheme:

The Share Option Scheme is valid and effective for a period of 10 years, it commenced on 23 November 2005 and will expire on 22 November 2015.

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DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2006, the interests of each Director and chief executive of the Company in the equity or debt securities of the Company or any associated corporation (within the meaning of the SFO) which (a) 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 the Director has taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Company/name of associated corporation	Capacity	Number and class of securities <i>Note</i>	Approximate shareholding percentage %
Chen Zhuo Lin	Company	Beneficiary of a trust	2,180,530,000	58.21
Chan Cheuk Yin	Company	Beneficiary of a trust	2,180,530,000	58.21
Luk Sin Fong, Fion	Company	Beneficiary of a trust	2,180,530,000	58.21
Chan Cheuk Hung	Company	Beneficiary of a trust	2,180,530,000	58.21
Chan Cheuk Hei	Company	Beneficiary of a trust	2,180,530,000	58.21
Chan Cheuk Nam	Company	Beneficiary of a trust	2,180,530,000	58.21

Note: All interests in the Shares are long positions.

As at 31 December, 2006, none of the Directors and the chief executive of the Company had any interest in the share capital of the Company or any associated corporations (within the meaning of the SFO) which (a) 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 the Director has taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2006, the interests of those persons in the share capital of the Company as recorded in the register kept under the SFO were as follows:

Name of Shareholder	Capacity	Number and class of securities	Approximate shareholding percentage %
		(note 5)	
Top Coast Investment Limited	Trustee	2,180,530,000	58.21
Zheng Huiqiong	Family Interests (note 1)	2,180,530,000	58.21
Lu Liqing	Family Interests (note 2)	2,180,530,000	58.21
Lu Yanping	Family Interests (note 3)	2,180,530,000	58.21
Chan Siu Na	Family Interests (note 4)	2,180,530,000	58.21

Note:

1. Zheng Huiqiong, wife of Chan Cheuk Yin, Director.
2. Lu Liqing, wife of Chan Cheuk Hung, Director.
3. Lu Yanping, wife of Chan Cheuk Hei, Director.
4. Chan Siu Na, wife of Chan Cheuk Nam, Director.
5. All interests in the Shares are long positions.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the year ended 31 December 2006, the Company had not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed shares.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in Cayman Islands being the jurisdiction in which the Company is incorporated.

FOREIGN EXCHANGE FLUCTUATIONS

The Group conducts its business almost exclusively in Renminbi and does not have any direct exposure to foreign exchange fluctuations. In the event that the value of Renminbi appreciates, the Group would be indirectly affected, whereby the costs of goods imported would decrease.

For the time being, Renminbi is not a freely convertible currency. The PRC government may adopt measures which could result in a material difference between the exchange rate of Renminbi in future and that prevailing or in the past. Appreciation in Renminbi would have a positive effect on the value of any dividend to be declared by the

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Group in Renminbi, when translating into Hong Kong dollars. However, the Group may expose to exchange loss when converting the rest of share placing proceeds and high yield noted proceeds from Hong Kong dollars and United States dollars respectively into Renminbi.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the code of conduct regarding securities transactions by directors as set out in Appendix 10 to the Listing Rules during the year under review and all Directors have complied with the required standard of dealings set out therein.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report.

AUDIT COMMITTEE

The audit committee is composed of all the three independent non-executive Directors. The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the audited consolidated accounts for the year ended 31 December 2006.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained during the year under review the amount of public float as required under the Listing Rules.

AUDITORS

The financial statements for the year have been audited by PricewaterhouseCoopers. A resolution for the re-appointment of PricewaterhouseCoopers as the Company's auditors for the ensuing year will be proposed at the forthcoming annual general meeting.

On behalf of the Board

CHEN Zhuo Lin

Chairman

Hong Kong, 18 April 2007