

Directors' Report

31 December 2006

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2006.

PRINCIPAL PLACE OF BUSINESS

City e-Solutions Limited (the "Company") is a company incorporated in the Cayman Islands and domiciled in Hong Kong. Its registered office is at P.O. Box 309, Grand Cayman, Cayman Islands, British West Indies and principal place of business at Room 2803, 28th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activities of the Company comprise those of investment holding and the provision of consultancy services.

The principal activities and other particulars of the subsidiaries are set out in note 13 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries (the "Group") during the financial year are set out in note 10 to the financial statements.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2006 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 36 to 75.

TRANSFER TO RESERVES

Profits attributable to shareholders, before dividends, of HK\$95,452,000 (2005: HK\$7,370,000) have been transferred to reserves. Other movements in reserves are set out in note 19 to the financial statements.

The Directors of the Company have proposed a final dividend for the year ended 31 December 2006 of HK6 cents per share (2005: HK3 cents). No interim dividend was paid for the year ended 31 December 2006 (2005: Nil cents).

CHARITABLE DONATIONS

During the year, no charitable contributions (2005: HK\$Nil) were made by the Group.

SHARE CAPITAL

The Company did not issue any shares during the financial year.

The Company has a share option scheme (the "2005 Scheme") which was adopted on 27 April 2005 ("Adoption Date") whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company. The purpose of the scheme is to provide an opportunity for employees of the Group to acquire an equity participation in the Company and to encourage them to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Under the 2005 Scheme, the maximum number of shares that may be granted by the Directors shall not exceed 10% of the share capital of the Company in issue at the Adoption Date unless the Company obtains a fresh approval from its Shareholders. The maximum number of Shares which may be issued upon exercise of all outstanding

SHARE CAPITAL (CONT'D)

options and yet to be exercised under the 2005 Scheme and any other option scheme(s) of the Company shall not in aggregate exceed 30% of the Shares in issue from time to time. The subscription price of shares under the 2005 Scheme shall not be less than the highest of: (i) the official closing price of the Shares as stated in daily quotations sheet of the Stock Exchange on the Offer Date; (ii) the average of the official closing price of the Shares as stated in daily quotations sheets of the Stock Exchange for the 5 business days immediately preceding the Offer Date; and (iii) the nominal value of a Share. The Executive Share Option Scheme (the "1997 Scheme") adopted by the Company on 11 June 1997 was terminated upon the 2005 Scheme becoming effective.

Throughout the financial year, no share option was granted and outstanding.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment are set out in note 11 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the turnover attributable to the Group's five largest customers combined was about 22% (2005: 45%) of the Group's turnover and the largest customer, included therein accounted for approximately 5% (2005: 24%). The percentage of purchases attributable to the Group's five largest suppliers combined was about 90% (2005: 99%) and the largest supplier included therein accounted for approximately 29% (2005: 53%).

At no time during the year have the directors or any shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

DIRECTORS

The Directors of the Company during the financial year were as follows:

Executive Directors

Mr. Kwek Leng Beng
 Mr. Vincent Yeo Wee Eng
 Mr. Kwek Leng Joo
 Mr. Kwek Leng Peck
 Mr. Gan Khai Choon
 Mr. Lawrence Yip Wai Lam

Non-executive Directors

Mr. Wong Hong Ren
 Hon. Chan Bernard Charnwut

Independent Non-executive Directors

Dr. Lo Ka Shui
 Mr. Lee Jackson @ Li Chik Sin
 Mr. Teoh Teik Kee

In accordance with Article 116 of the Articles of Association of the Company, one third of the present Directors will retire from office by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

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PROFILE ON DIRECTORS AND SENIOR MANAGEMENT

Mr. Kwek Leng Beng, aged 66
Chairman and Managing Director

Mr. Kwek Leng Beng has been the Chairman and Managing Director of the Company since 1989. He is the Executive Chairman of the Hong Leong Group of Companies Singapore and Singapore-listed City Developments Limited. He is also the Chairman of London-listed Millennium & Copthorne Hotels plc and Singapore-listed Hong Leong Asia Ltd., Chairman and Managing Director of Singapore-listed Hong Leong Finance Limited. He has extensive experience in hotel operations, property investment and development, as well as in finance.

In 1998, he was conferred a Doctorate of Business Administration in Hospitality from Johnson & Wales University (Rhode Island, US) where students have an opportunity to pursue career education in business, hospitality, culinary arts or technology. In March 2000, he was conferred (i) an Honorary Doctorate (DUniv) from Oxford Brookes University (UK) where its citation traced how Mr. Kwek, who joined the family business in the early 1960s, had gone on to establish an international reputation for his leadership of the Hong Leong Group, as well as an active supporter of higher education in Singapore and (ii) the "Asian Hotelier of the Decade" accolade at the Third Annual Asia Pacific Hotel Industry Investment Conference held in Singapore.

Mr. Kwek also serves as a member of the INSEAD East Asia Council. France-based INSEAD is one of the world's leading and largest graduate business schools which brings together people, cultures and ideas from around the world.

He is a member of the Action Community for Entrepreneurship (ACE), which involves both the private and public sectors to create a more entrepreneurial environment in Singapore.

Mr. Kwek holds a law degree, LL.B. (London) and is also a fellow of The Institute of Chartered Secretaries and Administrators.

Mr. Kwek Leng Beng is the brother of Mr. Kwek Leng Joo, brother-in-law of Mr. Gan Khai Choon and cousin of Mr. Kwek Leng Peck.

Mr. Vincent Yeo Wee Eng, aged 38
Executive Director and Chief Executive Officer

Mr. Vincent Yeo was appointed an Executive Director and Chief Operating Officer of the Company on 26 June 2000. He was subsequently promoted to Chief Executive Officer in November 2000. In 2005, Mr. Yeo was appointed a member of the Remuneration Committee and the Nomination Committee of the Company.

Mr. Yeo also assumed the role of Executive Director and Chief Executive Officer of M&C REIT Management Limited (as the Manager of CDL Hospitality Real Estate Investment Trust) on 17 May 2006 and 19 July 2006 respectively.

Between 2001 to 2006, Mr. Yeo also served as the Chief Operating Officer and then the President of Millennium & Copthorne International Limited. His key responsibilities included setting the overall direction of the Millennium & Copthorne hotel chain incorporating operations, finance, sales and marketing, procurement and technical services in the Asia-Pacific region.

Mr. Yeo was an Executive Director of Millennium & Copthorne Hotels plc ("M&C"), the London-listed hotel arm of the Hong Leong Group, overseeing global sales and marketing from February 1998 till March 2000.

PROFILE ON DIRECTORS AND SENIOR MANAGEMENT (CONT'D)**Mr. Vincent Yeo Wee Eng (cont'd)**

Prior to his appointment to the M&C Board, Mr. Yeo was the Managing Director of Millennium & Copthorne Hotels New Zealand Limited and CDL Investments New Zealand Limited and the Executive Director of Kingsgate International Corporation Limited. In those capacities, he was in charge of the Australian and New Zealand operations and responsible for developing and integrating the M&C Group's hotels into the largest hotel chain in New Zealand. Mr. Yeo remains a non-executive Director on the Boards of the M&C Group's two New Zealand-listed subsidiaries and Kingsgate International Corporation Limited (which was delisted in 2004) in New Zealand. Prior to his involvement in hotels, he was with the international stock broking firm, Smith New Court Securities (now known as Merrill Lynch).

Mr. Yeo has a B.Sc. in Business Administration from Boston University, United States of America.

Mr. Vincent Yeo Wee Eng is the nephew of Messrs. Kwek Leng Beng, Kwek Leng Joo and Kwek Leng Peck.

**Mr. Kwek Leng Joo, aged 53
Executive Director**

Mr. Kwek Leng Joo was appointed an Executive Director of the Company in 1989. He is currently the Managing Director of Singapore-listed City Developments Limited. He is also a Director of Singapore-listed Hong Leong Finance Limited, Kwek Holdings Pte Ltd, Hong Leong Investment Holdings Pte. Ltd. and London-listed Millennium & Copthorne Hotels plc. Mr Kwek holds a Diploma in Financial Management and has nearly 30 years of experience in property development and investment.

Mr. Kwek is also Vice Chairman of the Singapore Business Federation and Vice President of the ASEAN Chamber of Commerce & Industry. Other appointments include Chairmanship of Sun Yat Sen Nanyang Memorial Hall Company Limited, the Board of Trustees of National Youth Achievement Award Council, and Chinese Language & Culture Funds Management Committee as well as the Immediate Past President of the Singapore Chinese Chamber of Commerce and Industry.

Mr. Kwek Leng Joo is the brother of Mr. Kwek Leng Beng, brother-in-law of Mr. Gan Khai Choon, cousin of Mr. Kwek Leng Peck.

**Mr. Kwek Leng Peck, aged 50
Executive Director**

Mr. Kwek Leng Peck has been an Executive Director of the Company since 1989. He serves as Executive Director on several Hong Leong Group companies, and has over 25 years of experience in trading, manufacturing, property investment and development, hotel operations, corporate finance and management. He also sits on the Boards of several public companies, including Singapore-listed City Developments Limited, Singapore-listed Hong Leong Asia Ltd., Singapore-listed Hong Leong Finance Limited, Hong Leong Holdings Limited, New York-listed China Yuchai International Limited, London-listed Millennium & Copthorne Hotels plc and Malaysia-listed Tasek Corporation Berhad. Mr. Kwek holds a Diploma in Accountancy.

Mr. Kwek Leng Peck is the cousin of Mr. Kwek Leng Beng and Mr. Kwek Leng Joo.

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PROFILE ON DIRECTORS AND SENIOR MANAGEMENT (CONT'D)

Mr. Gan Khai Choon, aged 60

Executive Director

Mr. Gan Khai Choon was appointed an Executive Director of the Company in 1989 and is also Joint Managing Director of Hong Leong International (Hong Kong) Limited. He has more than 32 years of experience in banking, real estate investment and development. He has been responsible for overseeing the development of the Grand Hyatt Taipei and other international projects for the Hong Leong Group of companies. Mr. Gan has a Bachelor of Arts degree (Honours) in Economics from the University of Malaya.

Mr. Gan Khai Choon is the brother-in-law of Mr. Kwek Leng Beng and Mr. Kwek Leng Joo.

Mr. Lawrence Yip Wai Lam, aged 51

Executive Director

Mr. Lawrence Yip was appointed an Executive Director of the Company in December 1998. He was formerly the General Manager (Finance & Administration) of the Company. He has over 10 years of experience in the Treasury Division of several banks. Prior to joining the Group in April 1990, Mr. Yip held the position of Regional Treasurer with a bank in Singapore.

Mr. Wong Hong Ren, aged 55

Non-executive Director

Mr. Wong Hong Ren was appointed a Director of the Company in October 1994. Mr Wong is the Chairman and President of Philippines-listed Grand Plaza Hotel Corporation, Chairman of M&C REIT Management Limited (as Manager of CDL Hospitality Real Estate Investment Trust), New Zealand-listed Millennium & Copthorne Hotels New Zealand Limited and New Zealand-listed CDL Investments New Zealand Limited and Singapore-listed HLG Enterprise Limited (formerly known as LKN-Primefield Limited). He is also an Executive Director of London-listed Millennium & Copthorne Hotels plc and a Director of Singapore-listed Thakral Corporation Ltd and New York-listed China Yuchai International Limited.

Mr. Wong joined Hong Leong Management Services Pte. Ltd. ("HLMS"), a wholly-owned subsidiary of Hong Leong Investment Holdings Pte. Ltd., in 1988 as Group Investment Manager and was redesignated as Executive Vice President (Group Investment) of HLMS in 2006. He is widely experienced in hospitality and industrial businesses overseas, investment analysis, international capital market and mergers and acquisitions transactions as well as post-acquisition management re-organisation matters. Prior to 1988, he was a director and general manager (Investment and Property) of Haw Par Brothers International Limited and a Director of Investment with Royal Trust Asset Management Pte. Ltd. and First Capital Corporation Ltd.

Mr. Wong holds a Masters in Business Administration from Bradford University, United Kingdom.

PROFILE ON DIRECTORS AND SENIOR MANAGEMENT (CONT'D)**Hon. Chan Bernard Charnwut, aged 42
Non-executive Director**

Hon. Chan Bernard Charnwut has been a Director of the Company since 1989 and was appointed a member of the Audit Committee on 18 January 2000. Previously an independent non-executive director of the Company, he was re-designated as a non-executive director of the Company with effect from 30 September 2004. In 2005, he was appointed a member of the Nomination Committee of the Company. Hon. Chan, graduated from Pomona College in California, U.S.A., is a member of both the Executive Council and Legislative Council of the Hong Kong Special Administrative Region. He is currently the President of Asia Insurance Co Ltd. and the Deputy Chairman of the Lingnan University. He is also a member of the Insurance Advisory Committee, Greater Pearl River Delta Business Council and the Antiquities Advisory Board. In addition, he serves as the Advisor of Bangkok Bank Ltd., Hong Kong Branch, the Chairman of the Hong Kong-Thailand Business Council and the Chairperson of The Hong Kong Council of Social Service.

Hon. Chan is also an Executive Director and the President of Asia Financial Holdings Limited and an independent non-executive Director of Peaktop International Holdings Limited, Yau Lee Holdings Limited, Chen Hsong Holdings Limited, Kingboard Laminates Holdings Ltd., China Resources Enterprise Ltd. and New Heritage Holdings Limited, all of which are public companies listed on The Stock Exchange of Hong Kong Limited.

*** Dr. Lo Ka Shui, aged 60
Director**

Dr. Lo Ka Shui was appointed to the Board of the Company in 1989. In 2005, he was appointed Chairman of the Nomination Committee of the Company. He graduated with B.Sc. from McGill University and M.D. from Cornell University, certified in Cardiology. He has more than 27 years experience in property and hotel development, investment and management, both in Hong Kong and overseas. Dr. Lo is the Chairman and Managing Director of Great Eagle Holdings Limited, the non-executive Chairman of Eagle Asset Management (CP) Limited (Manager of Champion Real Estate Investment Trust) and a Director of The Hongkong and Shanghai Banking Corporation Limited, Shanghai Industrial Holdings Limited, Phoenix Satellite Television Holdings Limited, China Mobile Limited and some other publicly listed companies in Hong Kong and was a Director of Hong Kong Exchanges and Clearing Limited. He is also a Vice President of The Real Estate Developers Association of Hong Kong, a Trustee of the Hong Kong Centre for Economic Research and a Board Member of the Airport Authority.

*** Mr. Lee Jackson @ Li Chik Sin, aged 74
Director**

Mr. Lee Jackson was appointed a non-executive Director and Chairman of the Audit Committee of the Company in December 1998. In 2005, he was appointed a member of the Remuneration Committee and the Nomination Committee of the Company. He also sits on the Board of Metro Holdings Limited, Hong Fok Corporation Limited and Hong Leong Finance Limited, all of which are Singapore-listed public companies. He was formerly a partner of an international firm of Chartered Accountants and is a member of The Australian Institute of Chartered Accountants.

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PROFILE ON DIRECTORS AND SENIOR MANAGEMENT (CONT'D)

* **Mr. Teoh Teik Kee**, aged 47

Director

Mr. Teoh Teik Kee was appointed an independent non-executive Director and a member of the Audit Committee of the Company on 30 September 2004. In 2005, he was appointed Chairman of the Remuneration Committee and a member of the Nomination Committee of the Company. Mr. Teoh is an executive director of ecoWise Holdings Limited and an independent director of Luzhou Bio-chem Technology Limited. Both are Singapore-listed public companies.

Mr. Teoh is a Chartered Accountant by training, and worked from 1986 to 1990 with KPMG Peat Marwick McLintock in London and with PricewaterhouseCoopers in Singapore. Mr. Teoh has extensive experience in investment banking and corporate financial advisory services when he was with the DBS Bank Group.

Mr. Teoh graduated from Aston University, England with a B.Sc. (Hons) in Managerial and Administrative Studies. He is a member of the Institute of Chartered Accountants in England and Wales as well as a member of the Association of Corporate Treasurers in the United Kingdom.

* Independent non-executive director

The non-executive Directors are subject to the same terms of appointment as the other directors of the Company. Fees payable to non-executive Directors are approved by the Board at the end of each financial year.

Senior Management

Mr. Man Mang Wo, Derek, aged 51

Chief Financial Officer

Mr. Man Mang Wo, Derek joined the Group in 1996 and was appointed Chief Financial Officer of the Company with effect from 1 April 2004. Mr. Man is a member of the Certified General Accountants Association of Canada, a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants and The Institute of Chartered Accountants in England and Wales. He also holds a Bachelor of Business Administration honours degree from a UK university and a Master of Professional Accounting degree from The Hong Kong Polytechnic University. He has over 25 years of experience in the accounting and finance field.

DIRECTORS' INTERESTS IN SHARES

- (a) As at 31 December 2006, the interests of the Directors of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of 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 (the "Model Code"), were as follows:

The Company

Name of Director	Nature of Interest	Number of Ordinary Shares of HK\$1.00 each
Kwek Leng Beng	personal	3,286,980
Vincent Yeo Wee Eng	personal	718,000
Kwek Leng Joo	personal	1,436,000
Kwek Leng Peck	personal	2,082,200

DIRECTORS' INTERESTS IN SHARES (CONT'D)

(a) (cont'd)

The Company (cont'd)

Name of Director	Nature of Interest	Number of Ordinary Shares of HK\$1.00 each
Gan Khai Choon	personal	1,041,100
Lawrence Yip Wai Lam	personal	520,550
Wong Hong Ren	personal	1,513,112
Hon. Chan Bernard Charnwut	personal	53,850

City Developments Limited

Name of Director	Nature of Interest	Number of Ordinary Shares
Kwek Leng Beng	personal	397,226
Vincent Yeo Wee Eng	personal	18,323
Kwek Leng Joo	personal	65,461
Kwek Leng Peck	personal	43,758
Gan Khai Choon	personal	124,814
	family	33,000
Wong Hong Ren	family	4,950

Name of Director	Nature of Interest	Number of Preference Shares
Kwek Leng Beng	personal	144,445
Kwek Leng Joo	personal	100,000
Gan Khai Choon	personal	49,925
	family	45,738

Hong Leong Investment Holdings Pte. Ltd.

Name of Director	Nature of Interest	Number of Ordinary Shares
Kwek Leng Beng	personal	2,320
Kwek Leng Joo	personal	1,290
Kwek Leng Peck	personal	304
Gan Khai Choon	family	247

Millennium & Copthorne Hotels New Zealand Limited

Name of Director	Nature of Interest	Number of Ordinary Shares
Kwek Leng Beng	personal	3,000,000
Wong Hong Ren	personal	2,000,000
Vincent Yeo Wee Eng	personal	500,000

Note: Millennium & Copthorne Hotels New Zealand Limited is an indirect subsidiary of Millennium & Copthorne Hotels plc, a subsidiary of City Developments Limited. City Developments Limited is the holding company of the Company. The Directors of the Company consider Hong Leong Investment Holdings Pte. Ltd. to be the Company's ultimate holding company.

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DIRECTORS' INTERESTS IN SHARES (CONT'D)

(b) Pursuant to the Millennium & Copthorne Hotels Executive Share Option Scheme (the "1996 Scheme") operated by Millennium & Copthorne Hotels plc, certain Directors have outstanding options thereunder ("M&C Options") to subscribe for M&C shares for cash as follows:

Name of Director	Part*	Date Granted	Number of M&C Options Outstanding	Exercise Price per M&C Share	Exercise Period
Vincent Yeo Wee Eng	A	05/03/1998	6,509	£4.6087	05/03/2001 to 04/03/2008
Wong Hong Ren	B	14/03/2001	69,364	£4.3250	14/03/2004 to 13/03/2008
	B	15/03/2002	83,720	£3.2250	15/03/2005 to 14/03/2009

(c) Pursuant to the Millennium & Copthorne Hotels plc 2003 Executive Share Option Scheme (the "2003 Scheme"), approved by shareholders of Millennium & Copthorne Hotels plc on 21 May 2002, certain Directors have outstanding options thereunder ("M&C Options") to subscribe for M&C shares for cash as follows:

Name of Director	Part*	Date Granted	Number of M&C Options Outstanding	Exercise Price per M&C Share	Exercise Period
Vincent Yeo Wee Eng	II	24/03/2005	10,581	£3.9842	24/03/2008 to 23/03/2015
Wong Hong Ren	II	10/03/2003	124,031	£1.9350	10/03/2006 to 09/03/2013
	II	16/03/2004	44,999	£2.9167	16/03/2007 to 15/03/2014
	II	24/03/2005	75,297	£3.9842	24/03/2008 to 23/03/2015

*Note: The 1996 Scheme has two parts. Part A is designed for the approval by the UK Inland Revenue, of which approval was obtained under Schedule 9 of the Income and Corporation Taxes Act 1988 on 12 April 1996. Part B is an unapproved executive share option scheme designed for UK and non-UK executives. As with the 1996 Scheme, the 2003 Scheme provides for the grant of both approved and unapproved options.

DIRECTORS' INTERESTS IN SHARES (CONT'D)

- (d) Pursuant to Millennium & Copthorne Hotels Long Term Incentive Plan (the "LTIP") approved by shareholders of Millennium & Copthorne Hotels plc on 4 May 2006, certain Directors were awarded Performance Share Award of ordinary shares of 30p each as follows:

Name of Director	Date Awarded	Number of Performance Shares	Exercise Period
Wong Hong Ren	01/09/2006	67,834	01/09/2009 – 31/08/2010
Lawrence Yip Wai Lam	01/09/2006	9,622	01/09/2009 – 31/08/2010

Note: Under the terms of the LTIP, M&C is permitted to make both Performance Share Awards and Deferred Share Bonus Awards to an employee (including an executive director) of M&C or its subsidiaries.

- (e) Save as disclosed herein, as at 31 December 2006, none of the Directors and the chief executive of the Company or their associates were interested or had any short position in any shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2006, the following persons were interested in 5% or more of the issued share capital of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholder	Number of Shares Held	Notes	Percentage Holding in the Company
eMpire Investments Limited	190,523,819		49.73%
City Developments Limited	200,854,743	(1)	52.43%
Hong Leong Holdings Limited	21,356,085		5.57%
Hong Leong Investment Holdings Pte. Ltd.	230,866,817	(2)	60.26%
Kwek Holdings Pte Ltd	230,866,817	(3)	60.26%
Davos Investment Holdings Private Limited	230,866,817	(3)	60.26%
Kwek Leng Kee	230,866,817	(4)	60.26%
Arnhold and S Bleichroeder Advisors, LLC	38,310,000		10.00%
Farallon Capital Management, L.L.C.	35,232,850	(5)	9.20%
Farallon Capital Offshore Investors, Inc.	35,232,850	(6)	9.20%
Aberdeen Asset Management Plc and its Associates (together "The AAM Group") on Behalf Of Accounts Managed by The AAM Group	23,052,000	(7)	6.02%

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SUBSTANTIAL SHAREHOLDERS (CONT'D)

Notes:

- 1 Of the 200,854,743 shares beneficially owned by wholly-owned subsidiaries of City Developments Limited ("CDL") representing approximately 52.43% of the issued share capital of the Company, 190,523,819 shares are held by eMpire Investments Limited.
- 2 The interests of CDL and Hong Leong Holdings Limited in 200,854,743 shares and 21,356,085 shares respectively, are included in the aggregate number of shares disclosed.
- 3 The deemed interest of Hong Leong Investment Holdings Pte. Ltd. in 230,866,817 shares, representing approximately 60.26% of the issued share capital of the Company, is included in the aggregate number of shares disclosed.
- 4 Mr. Kwek Leng Kee is deemed to have an interest in the 230,866,817 shares in which Davos Investment Holdings Private Limited ("Davos") is deemed to have an interest in, by virtue of his entitlement to exercise or control the exercise of one-third or more of the voting power at general meetings of Davos.
- 5 Farallon Capital Management, LLC is interested in these shares in its capacity as the investment manager.
- 6 Farallon Capital Offshore Investors, Inc is interested in these shares in its capacity as the beneficial owner.
- 7 Aberdeen Asset Management Plc is interested in these shares in its capacity as the investment manager and includes shares in which wholly owned controlled corporations of Aberdeen Asset Management Plc are interested.

Save as stated above, no person was interested in or had a 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 as at 31 December 2006.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries, fellow subsidiaries or holding companies was a party, and in which a Director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

ARRANGEMENTS TO ACQUIRE SHARES

Save as disclosed herein, at no time during the year was the Company or any of its subsidiaries, fellow subsidiaries or holding companies a party to any arrangements to enable any Director of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

CONTROLLING SHAREHOLDERS' INTEREST

Save as disclosed herein, apart from transactions carried out in the normal course of business, there were no contracts of significance between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries or any contracts of any significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries.

CONNECTED TRANSACTIONS

Hospitality Related Transactions

Hospitality Related Transactions refer to the services provided by the Group to hotels owned by the Millennium & Copthorne Hotels plc (“M&C”) and its subsidiaries (“M&C Group”), which include hotel reservation services and hospitality related risk management services. M&C is a subsidiary of City Developments Limited, a substantial shareholder of the Company. The Independent Shareholders have re-approved the Hospitality Related Transactions at the Extraordinary General Meeting held on 13 March 2003. Details of the transactions were set out in the circular to shareholders dated 17 February 2003 (“Renewal of Waiver for Ongoing Connected Transactions”). With effect from 18 October 2005, the Group’s provision of hotel reservation services to M&C ceased. The details of the cessation are set out in the press announcement dated 8 August 2005. The waiver expired on 31 December 2005 and no new waiver was required thereafter.

Hotel Consultancy Services

Hotel Consultancy Services are the property management consultancy services provided by the Group to M&C Hotel Interests Inc. (“M&CHI”). M&CHI is an indirect wholly-owned subsidiary of M&C. Details of the transactions were set out in the press announcement dated 10 January 2003 as revised by the press announcement dated 11 June 2004. The cap amount for Hotel Consultancy Services is HK\$9.5 million for each financial year.

The total revenue generated from the provision of Hotel Consultancy Services for the year ended 31 December 2006 amounted to HK\$2.7 million (2005: HK\$4.1 million).

The independent non-executive Directors have reviewed the Hotel Consultancy Services Transactions for the year under review and confirmed that the said transactions were conducted:

- (i) in the ordinary and usual course of its business;
- (ii) on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available from independent third parties; and
- (iii) in accordance with the operating agreement.

The auditors have indicated in writing that based on the agreed-upon procedures:

- (i) The transactions have been approved by the Directors;
- (ii) Management has confirmed that they consider the transactions have been entered into in accordance with the terms of the Operating Agreement as amended by the Supplemental Agreement;
- (iii) Where there are signed agreements or written acknowledgements, the auditors have obtained, on a sample basis, signed agreements/written acknowledgements of the service and related fee charges; and
- (iv) The total revenue received by the Group in relation to the Hotel Consultancy Services Transactions for the relevant financial year has not exceeded HK\$9.5 million.

As the above procedures do not constitute either an audit or a review made in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants, the auditors did not express any assurance on the connected transactions for the year ended 31 December 2006.

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CONNECTED TRANSACTIONS (CONT'D)

Other Related Party Transactions

Other related party transactions are set out in note 21 to the financial statements, which either fall under the definition of "Continuing Connected Transactions" in Chapter 14A of the Listing Rules and are exempted under de minimis rules or does not fall into the definition of "connected transaction" or "continuing connected transaction".

SERVICE CONTRACTS OF DIRECTORS

None of the Directors has a service contract with the Company or its subsidiaries.

PRE-EMPTIVE RIGHTS

Under present Cayman Islands laws and the Articles of Association of the Company, no pre-emptive rights are imposed which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors to be independent.

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

KWEK LENG BENG

Chairman

26 February 2007