

Directors' Report

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

CORPORATE REORGANIZATION

The Company was incorporated as an exempted company in Cayman Islands with limited liability under Company Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on March 14, 2005.

Pursuant to a Corporate Reorganization (the "Corporate Reorganization") to rationalize the structure of the Company and its subsidiaries (the "Group") in preparation for the public listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group on April 22, 2006. Details of the Corporate Reorganization are set out in the prospectus dated February 9, 2007 issued by the Company (the "Prospectus").

The shares of the Company have been listed on the Stock Exchange since February 23, 2007.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Particulars of the Company's principal subsidiaries are set out in note 37 to the consolidated financial statements.

The Group is principally engaged in the property development and property investment business in the People's Republic of China (the "PRC" or "China").

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2006 are set out in the consolidated income statement on page 35.

The directors of the Company do not recommend the payment of any dividend in respect of the year ended December 31, 2006 and propose that the profit for the year be retained.

PROPERTY, PLANT AND EQUIPMENT

During the year, additions of property, plant and equipment of the Group amounted to approximately HK\$2,776,000.

During the year, additions of investment properties of the Group at cost amounted to approximately HK\$8,708,000 and the Group revalued all of its investment properties at the year end date. The net increase in fair value of investment properties, which has been credited directly to the consolidated income statement, amounted to HK\$53,511,000.

During the year, development in progress of approximately HK\$52,360,000 was transferred to investment properties and the addition of developments in progress of the Group amounted to approximately HK\$419,566,000.

Directors' Report

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Details of these and other movements during the year in property, plant and equipment, investment properties and developments in progress of the Group are set out in notes 14, 16 and 17 to the consolidated financial statements respectively.

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and minority interests of the Group for the each of the four years ended December 31, 2006 is set out on page 83.

PROPERTIES

Particulars of major properties held by the Group are set out on page 84.

SHARE PREMIUM AND RESERVES

Details of the movements in the share premium and reserves of the Group for the year ended December 31, 2006 are set out in the consolidated statement of changes in equity on page 38.

SHARE CAPITAL

Details of the movements in Company's share capital during the period from March 14, 2005 (date of incorporation) to December 31, 2006 are set out in note 28 to the consolidated financial statements. The shares of the Company were listed on the main board of the Stock Exchange on February 23, 2007 with issuance of 450,000,000 shares on February 22, 2007 (the "Listing"). On February 15, 2007 and February 22, 2007, the Company repurchased and cancelled the 48,700 shares held by Indopark Holdings Limited ("Indopark") for a consideration of US\$55 million and issued 1,349,048,700 shares to Hillwealth Holdings Limited ("Hillwealth") by capitalizing an amount of HK\$134,904,870 standing to the credit of the share premium account of the Company respectively. On March 21, 2007, an over-allotment option of 6,537,000 shares was exercised by Merrill Lynch International, the sole global coordinator and sole bookrunner of the Listing (the "Over-allotment"). As at the date of this report, the total number of ordinary shares of HK\$0.1 each in issue is 1,806,537,000. The issue share capital of the Company is HK\$180,653,700.

The Company's reserves available for distribution to shareholders as at December 31, 2006 were as follows:

	HK\$'000
Share premium	6,975,141
Accumulated losses	(42,931)
	<hr/> 6,932,210

Under the Companies Law of the Cayman Islands, the share premium of the Company may be distributed subject to the provisions of the Company's Memorandum or Articles of Association and provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

Directors' Report

DIRECTORS

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

Executive Directors:

Dr. Wang Shih Chang, George (*Chairman*)

Wong Sai Chung (*Managing Director*)

Xu Li Chang

Non-executive Director:

Kwan Kai Cheong

Independent Non-executive Directors:

Warren Talbot Beckwith

Luk Koon Hoo

Garry Alides Willinge

Cheng Chaun Kwan, Michael

Wu Zhi Gao

Except for Mr. Wong Sai Chung who was appointed as the first director of the Company on March 18, 2005, all other directors were appointed on February 1, 2007.

Each of the executive directors has entered into a service agreement with the Company for a term of two years commencing from February 23, 2007. Particulars of the service agreements have been set out in the Prospectus.

In accordance with article 87 of the Company's Articles of Association, Mr. Wong Sai Chung, Mr. Warren Talbot Beckwith and Mr. Cheng Chaun Kwan, Michael will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

No director has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The Company has received from each of the independence non-executive directors a confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considers all of the independent non-executive directors are independent.

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

Directors' and Chief Executives' Interests in Securities of the Company

As at December 31, 2006, the interests and/or short positions of the directors and chief executive and their associates in the shares, underlying shares or 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 notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of the Listed Companies to be notified to the Company and the Stock Exchange, were as follows:-

(a) Long positions in ordinary shares and underlying shares of the Company

Name of director	Nature of interest	Number of shares held	Percentage of the Company's issued share capital	Note
Mr. Wong Sai Chung	Corporate	951,300 shares	95.13%	(i)

Subsequent to December 31, 2006, the shares of the Company were listed on the Stock Exchange on February 23, 2007 with issuance of 450,000,000 shares on February 22, 2007. Immediately prior to the Listing, 1,349,048,700 shares were capitalized and on February 15, 2007 and February 22, 2007, the Company repurchased and cancelled the 48,700 shares held by Indopark and issued 1,349,048,700 shares to Hillwealth by capitalizing the share premium account of the Company respectively. On March 21, 2007, an over-allotment option of 6,537,000 shares was exercised by Merrill Lynch International, the sole global coordinator and sole bookrunner of the Listing.

As at the date of this report, the long position in ordinary shares and underlying shares of the Company of the directors and the chief executive are as follows:-

Name of director	Nature of interest	Number of shares held	Percentage of the Company's issued share capital	Note
Mr. Wong Sai Chung	Corporate	1,350,000,000 shares	74.73%	(i)

Note:

- (i) These shares are held directly by Hillwealth, whose entire issued capital is held by Mr. Wong Sai Chung.

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES AND DEBENTURES (CONTINUED)

(b) Long Position in Shares of Associated Corporations of the Company

Name of director	Nature of interest	Name of associated company	Number of shares held	Percentage of the issued share of the same class in the associated corporation	Note
Mr. Wong Sai Chung	Corporate	Concord Properties Holding (Shanghai) Limited ("CPH (Shanghai)")	100 non-voting deferred class "B" shares of HK\$1.00 each	100%	(ii)
	Personal	Hillwealth	1 share of US\$1.00	100%	(iii)

Notes:

(ii) CPH (Shanghai) is an indirectly owned subsidiary of the Company. It has in issue 100 non-voting deferred class "B" shares (the rights attached to which are set out in the Prospectus), all of which are beneficially owned by Concord China Land Holdings Limited which is in turn beneficially and wholly owned by Pacific Concord Holding Limited ("PCH") (which is wholly owned by Mr. Wong Sai Chung).

(iii) As Hillwealth owns more than 50% of the Company, Hillwealth is an associated corporation of the Company under the SFO. The entire issued share capital of Hillwealth is owned by Mr. Wong Sai Chung.

As at December 31, 2006, Mr. Wong Sai Chung was a director of Hillwealth, Concord China Land Holdings Limited and PCH, and Dr. Wang Shih Chang, George and Mr. Kwan Kai Cheong were also directors of PCH.

Save as disclosed herein, as at December 31, 2006, none of the directors or chief executives nor their associates had any interests or short positions in any shares or underlying shares or debenture of the Company or any of its associated corporations.

SHARE OPTION SCHEMES

Details of the Company's share option schemes are set out in note 35 to the consolidated financial statements. No share option were granted and outstanding for the year ended December 31, 2006.

Directors' Report

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the year was the Company, its ultimate holding company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company or their respective spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS'/CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of the related party transactions, certain of which also constituted connected transactions under the Listing Rules disclosed below, during the year are set out in note 36 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in "Directors' and chief executives' interests in shares and underlying shares and debentures", the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued capital of the Company as at December 31, 2006 and as at the date of this report.

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

Subsequent to the year ended December 31, 2006, the Company repurchased 48,700 own shares from Indopark on February 15, 2007 for a consideration of US\$55 million.

Saved as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's equity securities during the year and up to the date of this report.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended December 31, 2006, the Group had the following connected transactions under the Listing Rules. In the opinion of the directors, such connected transactions were conducted in the normal course of business.

(a) Sales of properties and financial assistance

Chief executives and directors of members of the Group (excluding Mr. Wong Sai Chung and his associates) from time to time and their associates may participate in sales of the Group's development properties and enjoy financial assistance from the Group. They may, as a member of the public and not otherwise, participate in purchases and enjoy end-user financing of units offered for sale by the Group on the same terms and at the same time as other members of the public. They may not enjoy preferential rates or preferential allocation of any such units offered for sale.

During the year ended December 31, 2006, no properties were sold to the chief executives, directors of the Company and its subsidiaries and their associates, as well as, no financial assistance was granted to the chief executives, directors of the Company and its subsidiaries and their associates in connection with the sales of the properties.

Directors' Report

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

(b) Costs sharing

Prior to the Listing, certain of the directors and the Group's accounting and administrative staff in Hong Kong were employed by service companies owned by Mr. Wong Sai Chung and his associates (other than the Group) and served both the Group and Mr. Wong Sai Chung and his associates (other than the Group). These employees have been transferred to the Group since February 2, 2007 in anticipation of the Listing and now work full time for the Group. During the year, part of the remuneration of these employees, directors and associated administrative expenses (such as employee related insurance premiums, provident fund contribution, other human resources costs, share of rent, rates, service charges and utilities charges) has been charged to and paid by the Group on an estimated time allocation basis.

During the year, an amount of HK\$12,560,000 was paid and payable for the shared costs.

(c) Financial assistance to connected persons

Prior to the Listing and during the year, the Group made advances to and gave guarantees and/or security for the benefit of loans borrowed and utilized by Mr. Wong Sai Chung and his associates (excluding the Group), and vice versa.

Advances made were unsecured and interest free. Advances received were also unsecured and certain balances were bearing interest at a rate equal to the cost of funds of the lending party and repayable on demand. The Group did not (and neither did Mr. Wong Sai Chung or his associates) charge any fee for the giving of guarantees or security. As of December 31, 2006, there were net outstanding advances due from the Group to Mr. Wong Sai Chung and his associates (other than the Group) amounting to approximately HK\$332.9 million.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

Mr. Wong Sai Chung, Managing Director of the Company, is interested in certain property development projects in the PRC. Pursuant to the four option agreements entered into between the Company and Mr. Wong Sai Chung on February 8, 2007, the Company has the right to acquire most of the properties held, whether directly or indirectly, by Mr. Wong Sai Chung. In addition, pursuant to the non-competition deed dated February 8, 2007 signed by Mr. Wong Sai Chung in favour of the Company (the "non-competition Deed"), Mr. Wong Sai Chung has undertaken to the Company to make necessary arrangements as stated in the non-competition Deed to avoid competing the business of the Group. Details of such arrangements are set out in the Prospectus.

The Company has received confirmation from Mr. Wong Sai Chung that he has complied with the terms of the Deed of Undertaking since the Listing on February 23, 2007 and up to the date of this report. Furthermore, there was no new business opportunities referred from Mr. Wong Sai Chung to the Company during the same period.

Saved as disclosed above, during the year ended December 31, 2006 and up to the date of this report, none of the directors, the substantial shareholders or the management shareholders had any interests in any business which competed with or might compete with the business of the Group.

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

Aggregate sales attributable to the Group's five largest customers were less than 30% of total turnover.

The largest supplier of the Group by itself and taken together with the next four largest suppliers accounted for 34.5% and 61.0% respectively of the Group's total purchases for the year.

At no time during the year did a director, an associate of a director, or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest suppliers.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

The Board and management of the Company are committed to maintain high standards of corporate governance. A report on the principal corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 16 to 23 of the annual report.

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The proceeds from the Company's issue of new shares (including the exercise of Over-allotment) in connection with its Listing on the Stock Exchange, after deduction of related expenses, amounted to approximately HK\$1,522.7 million, which are intended to be applied in accordance with the proposed applications set out in the section headed "Future Plans And Use Of Proceeds" in the Prospectus. Up to the date of this report, approximately HK\$429 million, HK\$332.9 million, HK\$88.1 million, HK\$2.3 million and HK\$48.9 million were utilized to settle in full the amount due under the loan note issued to Indopark, repay a short-term bank loan from Wing Hang Bank, Limited, finance the development of Shanghai Cannes, finance the development of Concord City and as general working capital purposes respectively. The remaining net proceeds is placed in short term deposits with financial institutions and licensed banks in Hong Kong.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the directors, there is sufficient public float of 25% of the Company's issued shares as required under the Listing Rules since the Listing of the Company's shares on the Stock Exchange on February 23, 2007 and up to the date of this report.

Directors' Report

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events are set out in note 38 to the consolidated financial statements.

AUDITOR

Messrs. Deloitte Touche Tohmatsu have acted as auditor of the Company since its incorporation. A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Dr. Wang Shih Chang, George

Chairman

Hong Kong, April 4, 2007