

Directors' Report

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

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 31 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2006 are set out in the consolidated income statement on page 24.

An interim dividend of HK4.5 cents per share amounting to HK\$9,868,500 was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK7 cents per share to the shareholders on the register of members of the Company on 5 June 2007, amounting to HK\$17,276,000, and the retention of the remaining profit for the year of HK\$137,911,000.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 1 June 2007 to 5 June 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and attending and voting at the 2007 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 31 May 2007.

INVESTMENT PROPERTIES

The Group's investment properties at 31 December 2006 were revalued by an independent firm of professional property valuers on an open market value basis. Details of movements in the investment properties of the Group during the year are set out in note 15 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent capital expenditure of approximately HK\$55,787,000 on additions of property, plant and equipment for the expansion of property agency services throughout the People's Republic of China.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 21 to the consolidated financial statements.

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DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2006 amounted to HK\$314,511,000, consisted of share premium of HK\$223,948,000, contributed surplus of HK\$67,385,000 and retained profits of HK\$23,178,000.

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution or dividend the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Article of Association, dividends shall be distributed out of the retained profits or other reserves, including the share premium account, of the Company.

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

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

DIRECTORS

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

Executive directors

Mr. Fu Wai Chung (*Chairman*)
 Ms. Ng Wan
 Ms. Fu Man
 Mr. Lo Yat Fung

Independent non-executive directors

Mr. Lam King Pui
 Mr. Ng Keung
 Mrs. Wong Law Kwai Wah, Karen

In accordance with the provisions of the Company's Articles of Association, Messrs. Fu Wai Chung, Lam King Pui and Ng Keung retire by rotation and, being eligible, offer themselves for re-election.

The term of office of each independent non-executive director is the period from the date of appointment up to his retirement by rotation as required by the provisions of the Company's Articles of Association.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors of the Company proposed for re-election at the forthcoming annual general meeting has entered into a service contract with the Company for a duration of three years commencing from 1 April 2004 and will continue thereafter until terminated by either party giving to the other not less than three months' advance written notice of termination.

Other than as disclosed above, none of the directors of the Company proposed for re-election at the forthcoming annual general meeting has a contract of service with the Company or any of its subsidiaries not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

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DIRECTORS' INTERESTS IN SHARES

At 31 December 2006, the interests of the directors and their associates in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Long positions:

(i) *Ordinary share of HK\$0.01 each in the Company*

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Fu Wai Chung ("Mr. Fu")	Held by controlled corporation (Note)	96,148,000	38.96%

Note: These 96,148,000 shares are registered in the name of Fu's Family Limited which is held as to 70% by Mr. Fu, 15% by Ms. Ng Wan (Mr. Fu's wife) and the remaining 15% by Ms. Fu Man (Mr. Fu's sister).

In addition to the interests disclosed herein, Mr. Fu also has non-beneficial personal equity interests in certain subsidiaries of the Company all held in trust solely for the purpose of complying with the previous statutory minimum shareholders requirement in Hong Kong.

(ii) *Ordinary shares of US\$1.00 each in Fu's Family Limited, the associated corporation of the Company*

Name of director	Number of shares interest	Percentage of shareholding
Mr. Fu	70	70%

Other than as disclosed above, none of the directors nor their associates had any interest or short position in any shares or underlying shares of the Company or any of its associated corporations as at 31 December 2006.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 28 to the consolidated financial statements.

No option has been granted under the Company's share option scheme since its adoption.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Company's share option scheme as disclosed above, at no time during the year was the 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 share in, or debentures of, the Company or any other body corporate.

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DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of directors' interests in contracts of significance are set out in note 30 to the consolidated financial statements.

Other than as disclosed in note 30 to the consolidated financial statements, no other contracts of significance to which the Company or 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 year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2006, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain director, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long positions:

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Fu's Family Limited	Beneficial owner	96,148,000	38.96%
Arisaig Greater China Fund Limited ("Arisaig China")	Beneficial owner	27,500,000	11.14%
Arisaig Partners (Mauritius) Limited ("Arisaig Partners")	Investment manager (Note 1)	27,500,000	11.14%
Cooper Lindsay William Ernest ("Mr. Cooper")	Held by controlled corporation (Note 1)	27,500,000	11.14%
Value Partners Limited ("Value Partners")	Investment manager (Note 2)	24,234,000	9.81%
Cheah Cheng Hye ("Mr. Cheah")	Held by controlled corporation (Note 2)	24,234,000	9.81%

Notes:

1. The shares of Arisaig China are held by the funds under management by Arisaig Partners in its capacity as an investment manager. Mr. Cooper is deemed to be interested in the shares of the Company through 33.33% interest in Arisaig Partners.
2. The shares of the Company are held by the funds under management by Value Partners. Mr. Cheah is deemed to be interested in the shares of the Company through 35.65% interest in Value Partners.

Other than as disclosed above, the Company had not been notified of any other relevant interests or short positions in the issued shares capital of the Company as at 31 December 2006.

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APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange. The Company considers all of the independent non-executive directors are independent.

EMOLUMENT POLICY

The Group remunerates its employees based on their performance, experience and prevailing market rate. Other employee benefits included insurance and medical cover, subsidised training programme as well as share option scheme.

The determination of emoluments of the directors of the Company had taken into consideration their expertise and job specifications.

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.

MAJOR CUSTOMERS

The aggregate turnover attributable to the Group's five largest customers were less than 20% of total turnover.

None of the directors, their associates or any shareholders of the Company which, to the knowledge of the directors, owned more than 5% of the Company's issued share capital, had any interest in any of the five largest customers of the Group.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient float throughout the year ended 31 December 2006.

JOINT AUDITORS

The consolidated financial statements were audited by Messrs. Deloitte Touche Tohmatsu and Zhong Yi (Hong Kong) C.P.A. Company Limited.

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

On behalf of the Board

Fu Wai Chung

Chairman

Hong Kong, 18 April 2007