

REPORT OF THE DIRECTORS

董事會報告

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 21 to the financial statements. There were no significant changes to the Group's principal activities during the year except for property development, which were presented as discontinued operations during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2006 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 35 to 38.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2006.

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets, liabilities, minority interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on pages 141 and 142. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Company and of the Group during the year are set out in notes 17 and 18 to the financial statements, respectively. Further details of the Group's investment properties are set out on pages 100 and 101 of the annual report.

PROPERTIES UNDER DEVELOPMENT AND PROPERTIES HELD FOR SALE

Details of the Group's properties under development are set out in note 26 to the financial statements. Further details of the Group's properties under development and properties held for sale are set out on page 144 of the annual report.

董事謹此提呈董事會報告以及本公司及本集團截至二零零六年十二月三十一日止年度之經審核財務報表。

主要業務

本公司之主要業務為投資控股。主要附屬公司之主要業務詳情載於財務報表附註21。除物業發展於本年報呈列為已終止經營業務外，本集團之主要業務於年內並無重大變動。

業績及股息

本集團截至二零零六年十二月三十一日止年度之溢利以及本公司和本集團於當日的財務狀況載於財務報表第35至38頁。

董事並不建議就截至二零零六年十二月三十一日止年度派付任何股息。

財務資料概要

本集團過去五個財政年度已刊發業績、資產、負債與少數股東權益概要載於第141頁及第142頁，乃摘錄自經審核財務報表。該概要並不構成經審核財務報表其中部分。

物業、廠房及設備以及投資物業

本公司及本集團物業、廠房及設備以及投資物業於年內的變動詳情，分別載於財務報表附註17及18內。本集團投資物業之進一步詳情載於年報第100頁及第101頁。

發展中物業及待售物業

本集團發展中物業詳情載於財務報表附註26，本集團之發展中物業及待售物業進一步詳情則載於年報第144頁。

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SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 39 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 41 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2006, the Company had reserves of available HK\$317,560,000 for cash distribution and/or distribution in specie.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 18% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 15% of the total purchases.

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

股本

本公司股本於年內變動詳情，載於財務報表附註39。

優先購買權

本公司之公司組織章程細則或開曼群島法律並無有關優先購買權的條文，規定本公司須按比例向現有股東發售新股份。

購買、贖回或出售本公司上市證券

年內，本公司或其任何附屬公司概無購買、贖回或出售本公司任何上市證券。

儲備

本公司及本集團儲備於年內的變動詳情分別載於財務報表附註41及綜合權益變動表內。

可供分派儲備

於二零零六年十二月三十一日，本公司有可供作現金及／或實物分派的儲備317,560,000港元。

主要客戶與供應商

於回顧年內，本集團五大客戶的銷售額佔年內總銷售額不足18%。本集團五大供應商的購貨額佔總購貨額15%。

本公司董事或彼等任何聯繫人士或就董事所深知任何擁有本公司已發行股本5%以上的股東，概無擁有本集團五大客戶或五大供應商任何實益權益。

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DIRECTORS

The directors of the Company during the year were:

Executive Directors:

Mr. Hon Kwok Lung, *Chairman*
Mr. Wang Shaolan, *Vice Chairman*
Mr. Shang Jianguang, *Chief Executive Officer*
Mr. Shi Tao
Mr. Lam Toi Man

Non-executive Director:

Ms. Sit Lai Hei

Independent Non-executive Directors:

Mr. Fung Tze Wa
Dr. Kwong Chun Wai, Michael
Mr. Li Qiang

In accordance with article 116 of the Company's articles of association, Mr. Hon Kwok Lung, Ms. Sit Lai Hei and Mr. Li Qiang will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmation of independence from each of the three Independent Non-executive Directors, Mr. Fung Tze Wa, Dr. Kwong Chun Wai, Michael and Mr. Li Qiang that they have met all the factors concerning their independence as set out in Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and that there are no other factors which may affect their independence. The Company's board of directors (the "Board") considers these Independent Non-executive Directors to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 4 to 7 of the annual report.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

董事

以下為本公司本年度在任之董事：

執行董事：

韓國龍先生（主席）
王少蘭先生（副主席）
商建光先生（行政總裁）
石濤先生
林代文先生

非執行董事：

薛黎曦女士

獨立非執行董事：

馮子華先生
鄭俊偉博士
李強先生

根據本公司組織章程細則第116條之規定，韓國龍先生、薛黎曦女士及李強先生將於應屆股東週年大會依章輪值告退，並願且符合資格膺選連任。

本公司已獲取三名獨立非執行董事馮子華先生、鄭俊偉博士及李強先生各自發出之年度獨立確認書，表示彼等已符合香港聯合交易所有限公司證券上市規則（「上市規則」）第3.13條有關彼等獨立身分的因素，以及並無其他可能會影響彼等獨立身分的因素。本公司董事會（「董事會」）認為，該三名獨立非執行董事均為獨立人士。

董事及高層管理人員之履歷

本公司董事及本集團高層管理人員之履歷詳情載於年報第4至第7頁。

董事於合約中之權益

年內，各董事概無於本公司或其任何附屬公司參與訂立而對本集團業務屬重大之任何合約中直接或間接擁有任何重大權益。

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DIRECTORS' SERVICE CONTRACTS

Mr. Wang Shaolan, an Executive Director and the Vice Chairman of the Company, has a service contract with the Company for a term of three years commencing from 5 July 2004. If the Company terminates the service contract with Mr. Wang prior to the expiry of the contract term, the Company shall compensate Mr. Wang twelve months' salaries.

Mr. Shang Jianguang, an Executive Director and the Chief Executive Officer of the Company, has a service contract with the Company for a term of two years commencing from 18 November 2006 and is subject to termination by either party by giving not less than three month's written notice.

Mr. Hon Kwok Lung, the Chairman of the Company, Mr. Shi Tao, and Mr. Lam Toi Man, Executive Directors of the Company, have service contracts with the Company for an initial term of two years commencing from 1 July 2004 and is subject to termination by either party by giving not less than two months' written notice. These service contracts will each continue for successive terms of one year unless terminated by not less than two months' written notice served by either party to the other.

Mr. Fung Tze Wa and Dr. Kwong Chun Wai, Michael, Independent Non-executive Directors of the Company, have service contracts with the Company for an initial term of two years commencing from 3 May 2004. These service contracts will each continue for successive terms of one year unless terminated by not less than one month's written notice served by either party to the other.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees can be fixed by the directors of the Company and are subject to shareholders' authorisation at general meetings. Other emoluments are determined by the Board with reference to the duties, responsibilities and performance of the directors and the results of the Group.

董事服務合約

本公司執行董事兼副主席王少蘭先生與本公司訂有服務合約，任期由二零零四年七月五日起為期三年。倘本公司於合約期限屆滿前終止與王先生訂立之服務合約，本公司須向王先生作出相當於十二個月薪金之補償。

本公司執行董事兼行政總裁商建光先生與本公司訂有服務合約，任期由二零零六年十一月十八日起為期兩年，惟任何一方可向另一方發出不少於三個月書面通知終止該服務合約。

本公司主席韓國龍先生、本公司執行董事石濤先生及林代文先生與本公司訂有服務合約，初步任期由二零零四年七月一日起為期兩年，惟任何一方可向另一方發出不少於兩個月書面通知予以終止。除非任何一方向另一方發出不少於兩個月書面通知予以終止，此等服務合約將繼續有效，並續期一年。

本公司獨立非執行董事馮子華先生及鄭俊偉博士均與本公司訂有服務合約，初步任期由二零零四年五月三日起為期兩年。除非任何一方向另一方發出不少於一個月書面通知予以終止，此等服務合約將繼續有效，並續期一年。

概無建議於應屆股東週年大會膺選連任之董事與本公司訂有任何本公司不可在一年內毋須支付賠償（法定賠償除外）而終止之服務合約。

董事酬金

董事袍金可由本公司董事會釐定，惟須獲股東於股東大會授權。其他薪酬由董事會參考董事之職務、責任及表現以及本集團業績釐定。

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DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2006, the interests or short positions of the directors and chief executive in the share capital and underlying shares of the Company or 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 by the Company pursuant to 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 Issuers (the "Model Code") of the Listing Rules, were as follows:

Long position in ordinary shares of the Company:

Name of director 董事姓名		Capacity and nature of interest 身分及權益性質	Number of ordinary shares held 所持普通股數目	Percentage of the Company's issued share capital 佔本公司已發行股本百分比
Mr. Hon Kwok Lung	韓國龍先生	Through a controlled corporation 透過受控制公司	648,081,515 (Note) (附註)	36.16

Note:

The 648,081,515 shares of the Company are kept by and registered in the name of HSBC Nominees (Hong Kong) Limited. The beneficial owner of the shares is Sincere View International Limited ("Sincere View"), which is owned as to 50% and 20% by Mr. Hon Kwok Lung and his wife, Ms. Lam Suk Ying, respectively.

Mr. Hon Kwok Lung and Ms. Lam Suk Ying are deemed to have an interest in the same parcel of shares of 648,081,515 held by Sincere View.

Save as disclosed above, as at 31 December 2006, no person had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

董事及主要行政人員於股份及相關股份之權益及淡倉

於二零零六年十二月三十一日，按本公司根據證券及期貨條例（「證券及期貨條例」）第352條規定存置之登記冊所記錄，董事及主要行政人員於本公司或其相聯法團（定義見證券及期貨條例第XV部）之股本及相關股份中擁有之權益或淡倉或已根據上市規則項下上市公司董事進行證券交易的標準守則（「標準守則」）知會本公司及香港聯合交易所有限公司（「聯交所」）之權益或淡倉如下：

本公司普通股之好倉：

	Capacity and nature of interest 身分及權益性質	Number of ordinary shares held 所持普通股數目	Percentage of the Company's issued share capital 佔本公司已發行股本百分比
Mr. Hon Kwok Lung	韓國龍先生	Through a controlled corporation 透過受控制公司	648,081,515 (Note) (附註)

附註：

該648,081,515股本公司股份由HSBC Nominees (Hong Kong) Limited存置及以其名義登記。此等股份之實益擁有人為信景國際有限公司（「信景」），而韓國龍先生及彼之妻子林淑英女士分別持有信景50%及20%權益。

韓國龍先生及林淑英女士被視作於信景所持同一批648,081,515股股份中擁有權益。

除上文披露者外，於二零零六年十二月三十一日，概無任何人士於本公司或其任何相聯法團之股份及相關股份中擁有須根據證券及期貨條例第352條記錄之任何權益或淡倉，或須根據標準守則知會本公司及聯交所之任何權益或淡倉。

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DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2006, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long position:

Name of director 董事姓名	Capacity and nature of interest 身分及權益性質	Number of ordinary shares held 所持普通股數目	Percentage of the Company's issued share capital 佔本公司已發行股本百分比
Sincere View International Limited 信景國際有限公司	Directly beneficially owned 直接實益擁有	648,081,515	36.16

Save as disclosed above, as at 31 December 2006, no person, other than the directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in shares and underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

董事購買股份或債券之權利

於年內任何時間，董事或彼等各自的配偶或未成年子女概無獲授或行使可藉購買本公司股份或債券獲益的權利，而本公司或其任何附屬公司亦無參與任何安排，致使董事可於任何其他法團獲取該等權利。

主要股東於股份及相關股份之權益

於二零零六年十二月三十一日，按照本公司根據證券及期貨條例第336條存置之權益登記冊所記錄，下列人士持有本公司已發行股本5%或以上權益：

好倉：

除上文披露者外，於二零零六年十二月三十一日，除其權益載於上文「董事及主要行政人員於股份及相關股份中之權益及淡倉」一節之本公司董事及主要行政人員外，概無任何人士於本公司股份及相關股份中登記擁有須根據證券及期貨條例第336條予以記錄之權益或淡倉。

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CONNECTED TRANSACTION

During the year, there is no connected transaction of the Group under the Listing Rules.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year, no director is considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules, other than those businesses to which the directors were appointed as directors to represent the interest of the Company and/or the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, the Company's shares which are in the hands of the public exceeded 25% of the Company's total issued share capital as at the date of this report.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 48 to the financial statements.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has applied the principles and complied with the code provisions in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the annual report, except for the deviations from code provisions A.2.1, A.4.1, A.5.4, B.1.1, C.3.3, D.1.2 and E.1.2 of the Code as explained in the Company's interim report for the period ended 30 June 2006.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Board adopted the Model Code as the Company's code of conduct for dealings in securities of the Company by the directors. Having made specific enquiry with all the Company's directors, the Company has ascertained that all of its directors have complied with the required standards set out in the Model Code throughout the accounting period covered by this annual report.

關連交易

根據上市規則，本集團於年內並無任何關連交易。

董事於競爭業務之權益

年內，除董事因代表本公司及／或本集團權益而獲委聘為董事之該等業務外，根據上市規則，概無董事被視為在直接或間接與本集團業務構成競爭或可能構成競爭之業務中擁有權益。

足夠公眾持股量

按本公司可公開獲取之資料及據董事所知悉，公眾人士所持本公司股份數目超過本公司於本報告日期之全部已發行股本25%。

結算日後事項

本集團於結算日後之重大事項詳情載於財務報表附註48。

企業管治常規守則

董事認為，除本公司截至二零零六年六月三十日止期間之中期報告所闡釋偏離守則條文第A.2.1、A.4.1、A.5.4、B.1.1、C.3.3、D.1.2及E.1.2條外，本公司於年報所涵蓋會計期間已應用上市規則附錄14所載企業管治常規守則（「守則」）之原則及遵守守則條文。

證券交易的標準守則

董事會已採納標準守則作為本公司董事買賣本公司證券之操守準則。經向本公司全體董事作出具體查詢後，本公司確定所有董事於本年報所涵蓋整個會計期間一直遵守標準守則所載之規定準則。

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REMUNERATION COMMITTEE

The Company has established a remuneration committee (the "Remuneration Committee") on 23 August 2005 in compliance with the Listing Rules, terms of reference of which have been adopted by the Board of the Company are consistent with the requirements of the Code. The Remuneration Committee currently comprises the three Independent Non-executive Directors, Mr. Fung Tze Wa (the Chairman of the Committee), Dr. Kwong Chun Wai, Michael and Mr. Li Qiang, the Chairman of the Board, Mr. Hon Kwok Lung and the Chief Executive Officer, Mr. Shang Jianguang.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three Independent Non-executive Directors of the Company. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial matters including the review of the audited financial statements for the year ended 31 December 2006.

AUDITORS

In January 2007, Ernst & Young resigned as auditors of the Company and Grant Thornton were appointed by the directors to fill the causal vacancy so arising. There have been no other changes of auditors in the past three years. A resolution for the re-appointment of Grant Thornton as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Hon Kwok Lung
Chairman

Hong Kong
25 April 2007

薪酬委員會

本公司已於二零零五年八月二十三日按照上市規則成立薪酬委員會（「薪酬委員會」），其經本公司董事會採納之職權範圍與守則之規定一致。薪酬委員會現由三名獨立非執行董事馮子華先生（委員會主席）、鄭俊偉博士、李強先生及董事會主席韓國龍先生及行政總裁商建光先生組成。

審核委員會

本公司已遵照上市規則第3.21條成立審核委員會，以審閱及監督有關本集團財務申報程序及內部監控。審核委員會由本公司三名獨立非執行董事組成。審核委員會已與管理層審閱本集團所採納之會計原則及慣例，並討論審計、內部監控及財務事宜，包括審閱截至二零零六年十二月三十一日止年度之經審核財務報表。

核數師

於二零零七年一月，安永會計師事務所辭任本公司核數師，均富會計師行獲董事委聘以填補所產生之臨時空缺。核數師於過去三年並無其他變動。本公司將於應屆股東週年大會提呈有關委聘均富會計師行為本公司核數師之決議案。

代表董事會

主席
韓國龍

香港
二零零七年四月二十五日