

Report of the Directors

The Directors present their report together with the 2006 Financial Statements.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Our principal subsidiaries and jointly controlled entities are primarily engaged in property development and property investment in Hong Kong, Mainland China and Singapore, and their activities are set out in note 39 to the 2006 Financial Statements.

RESULTS AND APPROPRIATIONS

The 2006 Financial Statements starting page 30 of this annual report set out the results of the Group for the year ended 31 December 2006.

An interim dividend of 1 HK cent per Share was paid during the year. The Board recommends the payment of a final dividend (scrip with cash option) of 2.5 HK cents per Share. Together, the total dividends per Share for the year amounting to 3.5 HK cents (2005: 54 HK cents). Details of dividends are set out in note 15 to the 2006 Financial Statements.

SHARE CAPITAL

Note 29 to the 2006 Financial Statements contains details on the Company's share capital, and increase in issued share capital of the Company during the year due to the allotment of scrip dividends, exercise of share options and exercise of convertible bonds.

CONVERTIBLE BONDS

Details of the 0.5% Guaranteed Convertible Bonds due 2009 and their conversion during the year appear in note 32(c) to the 2006 Financial Statements.

DEALINGS IN LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares or bonds during the year.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in note 31 to the 2006 Financial Statements.

DONATIONS

During the year, the Group made charitable donations amounting to HK\$4,442,000 (2005: HK\$6,010,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 17 to the 2006 Financial Statements.

SIGNIFICANT PROPERTIES

Details of the significant properties held by the Group as at 31 December 2006 for investment and development are set out on pages 75 to 76 of this annual report.

DIRECTORS

The Directors who served during the year were Dr. Che-woo Lui, Mr. Francis Lui Yiu Tung, Mr. Eddie Hui Ki On, Mr. Lennon Lun Tsan Kau, Mr. William Lo Chi Chung (who resigned on 1 January 2007), Ms. Paddy Tang Lui Wai Yu, Sir David Akers-Jones, Mr. Michael Leung Man Kin, Dr. Philip Wong Kin Hang, Dr. The Hon. Leo Lee Tung Hai, Dr. Robin Chan Yau Hing, Dr. Charles Cheung Wai Bun and Mr. Robert George Nield.

Biographical details of the current Directors are set out on pages 20 to 21 of this annual report.

In accordance with Bye-law 109(A), Mr. Lennon Lun Tsan Kau, Ms. Paddy Tang Lui Wai Yu and Dr. Robin Chan Yau Hing will retire by rotation, and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

None of the Directors proposed for re-election has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation (other than statutory compensation).

Subject to the approval of Shareholders at the forthcoming annual general meeting, the following fees in respect of year ended 31 December 2006 will be paid to the Directors:

	Chairman	Member
	HK\$	HK\$
The Board	100,000	80,000
Audit Committee	100,000	80,000
Remuneration Committee	50,000	40,000

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this Directors' Report, no contracts of significance in relation to the Group's business, to which the Company or any of its subsidiaries was a party and in which a Director has or had a material beneficial interest, whether directly or indirectly, subsisted on 31 December 2006 or at any time during the year ended on that date.

DIRECTORS' INTERESTS IN SECURITIES

As of 31 December 2006, the interests and short positions of each Director in the Shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) and the details of any right to subscribe for Shares and of the exercise of such rights, as 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, if any, which they are taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Appendix 10 to the Listing Rules, were as follows:

(A) Shares

Name of Directors	Number of Shares				Total	Approximate % of Issued Share Capital
	Personal Interests	Family Interests	Corporate Interests	Other Interests		
Che-woo Lui	6,511,855	7,191,314 ⁽¹⁾	38,443,830 ⁽²⁾	1,268,160,371 ⁽³⁾	1,320,307,370	54.33
Francis Lui Yiu Tung	5,837,364	—	—	1,268,160,371 ⁽³⁾	1,273,997,735	52.43
Eddie Hui Ki On	580,000	—	—	—	580,000	0.02
Lennon Lun Tsan Kau	2,230,931	—	—	—	2,230,931	0.09
William Lo Chi Chung	630,000	—	—	—	630,000	0.03
Paddy Tang Lui Wai Yu	8,340,371	—	—	1,268,160,371 ⁽³⁾	1,276,500,742	52.53
Sir David Akers-Jones	150,000	—	—	—	150,000	0.01
Michael Leung Man Kin	700,000	—	—	—	700,000	0.03
Philip Wong Kin Hang	601,226	—	—	—	601,226	0.02
Leo Lee Tung Hai	550,000	—	—	—	550,000	0.02
Robin Chan Yau Hing	932,651	—	—	—	932,651	0.04
Charles Cheung Wai Bun	907,239	—	—	—	907,239	0.04
Robert George Nield	500,000	—	—	—	500,000	0.02

Unless otherwise stated, all personal interests stated above were held by the respective Directors in the capacity of beneficial owners.

Notes:

- (1) Dr. Che-woo Lui was deemed to be interested in 7,191,314 Shares through the interests of his spouse.
- (2) 35,376,195 Shares and 3,067,635 Shares were respectively held by Best Chance Investments Ltd. and Po Kay Securities & Shares Company Limited, both of which were directly or indirectly controlled by Dr. Che-woo Lui.
- (3) 1,268,160,371 Shares representing more than one-third of the Company's issued share capital were held by the discretionary trusts established by Dr. Che-woo Lui as founder. Dr. Che-woo Lui, Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu, as either direct or indirect discretionary beneficiaries of the discretionary family trusts, were deemed to be interested in those Shares held by the trusts.

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(B) Underlying Shares – Share Options

Details are set out in the SHARE OPTION SCHEME section below.

All the interests stated above represent long positions.

Dr. Che-woo Lui, Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu were deemed to be interested in the issued share capital of every other subsidiary and jointly controlled entity of the Company.

Save as disclosed above, as of 31 December 2006, none of the Directors had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS

At 31 December 2006, the interests of every person (not being a Director or chief executive of the Company) in the Shares and underlying shares in the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of Shareholders	Number of Shares (Long Position)	Approximate Issued% of Share Capital
HSBC International Trustee Limited	1,268,160,371 ⁽¹⁾	52.19
Penta Investment Advisers Ltd.	312,314,104 ⁽²⁾	12.85
Zwaanstra John	312,314,104 ⁽²⁾	12.85
Marapro Co., Ltd.	191,857,634 ⁽³⁾	7.90
Symmetry Co., Ltd.	191,857,634 ⁽³⁾	7.90
Polymate Co., Ltd.	191,857,634 ⁽⁴⁾	7.90

Notes:

- (1) HSBC International Trustee Limited is the trustee of discretionary trusts which (as of the end of the year) held 1,268,160,371 Shares.
- (2) Penta Investment Advisers Ltd., a company controlled by Zwaanstra John, was (as of the end of the year) interested in 312,314,104 Shares in the capacity of investment manager.
- (3) Marapro Co., Ltd. is a beneficiary and Symmetry Co., Ltd. is a trustee of a trust which (as of the end of the year) was interested in 191,857,634 Shares.
- (4) Polymate Co., Ltd. is the ultimate holding company of those companies which (as of the end of the year) were interested in 191,857,634 Shares.

There was duplication of interests of:

- (i) 1,268,160,371 Shares among Dr. Che-woo Lui, Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu. These Shares were also interested by HSBC International Trustee Limited and of these Shares, 191,857,634 Shares were also interested by Marapro Co., Ltd., Symmetry Co., Ltd. and Polymate Co., Ltd.; and
- (ii) 312,314,104 Shares between Penta Investment Advisers Ltd. and Zwaanstra John.

Save as disclosed above, as of 31 December 2006, the Company had not been notified by any persons who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

The Company's share option scheme adopted by the Shareholders at the annual general meeting on 30 May 2002 is summarized below:

(1) Purpose

To attract and retain the best quality personnel for the development of the Company's businesses; to provide additional incentives to employees, consultants, agents, representatives, advisers, suppliers of goods or services, customers, contractors, business allies and joint venture partners; and to promote the long term financial success of the Company by aligning the interests of option holders to Shareholders.

(2) Participants

- (i) any employee of the Company or any affiliate and any senior executive or director of the Company or any affiliate; or
- (ii) any consultant, agent, representative or adviser of the Company or any affiliate; or
- (iii) any person who provides goods or services to the Company or any affiliate; or
- (iv) any customer or contractor of the Company or any affiliate; or
- (v) any business ally or joint venture partner of the Company or any affiliate; or
- (vi) any trustee of any trust established for the benefit of employees; or
- (vii) in relation to any of the above qualifying grantee who is an individual, a trust solely for the benefit of the qualifying grantee or his immediate family members, and companies controlled solely by the qualifying grantee or his immediate family members.

"Affiliate" means any company which is (a) a holding company of the Company; or (b) a subsidiary of a holding company of the Company; or (c) a subsidiary of the Company; or (d) a controlling shareholder of the Company; or (e) a company controlled by a controlling shareholder of the Company; or (f) a company controlled by the Company; or (g) an associated company of a holding company of the Company; or (h) an associated company of the Company.

(3) Total number of Shares available for issue

Mandate Limit — Subject to the paragraph below, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the Shares in issue as of 30 May 2002, being 187,563,607 Shares.

Overriding Limit — The Company may by ordinary resolutions of the Shareholders refresh the Mandate Limit as referred to in the above paragraph provided that the Company shall issue a circular to Shareholders before such approval is sought. The overriding limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30% of the shares in issue from time to time.

As of the date of this annual report, the total number of Shares available for issue under the Share Option Scheme was 143,986,607 Shares, which represented approximately 5.93% of the issued share capital of the Company on that date.

(4) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to each participant must not exceed 1% of the Shares in issue.

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Subject to separate approval by the Shareholders in general meeting with the relevant participant and his associates (as defined in the Listing Rules) abstaining from voting and provided that the Company shall issue a circular to Shareholders before such approval is sought, the Company may grant a participant options which would exceed this limit.

(5) Option period

The period within which the Shares must be taken up under an option shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant option.

(6) Minimum period for which an option must be held before it can vest

The minimum period, if any, for which an option must be held before it can vest shall be determined by the Board in its absolute discretion. The Share Option Scheme itself does not specify any minimum holding period.

(7) Payment on acceptance of the option

HK\$1.00 is payable by the grantee to the Company on acceptance of the option offer. An offer must be accepted within 14 days from the date of grant (or such longer period as the Board may specify in writing).

(8) Basis of determining the subscription price

The subscription price shall be determined by the Board in its absolute discretion at the time of the grant but shall not be less than the highest of:

- (i) the closing price of the Shares on the date of grant;
- (ii) the average closing prices of the Shares 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 life of the Share Option Scheme is 10 years commencing from 30 May 2002 and will expire on 29 May 2012.

Particulars of the movement of the options held by each of the Directors, the employees of the Company in aggregate and other participants granted under the Share Option Scheme or under any other share option schemes of the Company during the year ended 31 December 2006, were as follows:

Holders	Date of grant	Number of Options			Held at 31 December 2006	Exercise price per Share (HK\$)	Exercise period
		Held at 1 January 2006	Exercised during the year	Lapsed during the year			
Che-woo Lui	21 Oct 2005	1,350,000	—	—	1,350,000	1.9060	22 Oct 2006 – 21 Oct 2011
Francis Lui Yiu Tung	21 Oct 2005	1,340,000	—	—	1,340,000	1.9060	22 Oct 2006 – 21 Oct 2011
Eddie Hui Ki On	21 Oct 2005	580,000	—	—	580,000	1.9060	22 Oct 2006 – 21 Oct 2011
Lennon Lun Tsan Kau	21 Oct 2005	670,000	—	—	670,000	1.9060	22 Oct 2006 – 21 Oct 2011
William Lo Chi Chung	21 Oct 2005	530,000	—	—	530,000	1.9060	22 Oct 2006 – 21 Oct 2011
Paddy Tang Lui Wai Yu	21 Oct 2005	930,000	—	—	930,000	1.9060	22 Oct 2006 – 21 Oct 2011
Sir David Akers-Jones	28 Feb 2003	150,000	—	—	150,000	0.7200	1 Mar 2004 – 28 Feb 2013
Michael Leung Man Kin	21 Oct 2005	400,000	—	—	400,000	1.9060	22 Oct 2006 – 21 Oct 2011
Philip Wong Kin Hang	21 Oct 2005	300,000	—	—	300,000	1.9060	22 Oct 2006 – 21 Oct 2011
Leo Lee Tung Hai	21 Oct 2005	500,000	500,000 ^(a)	—	—	1.9060	22 Oct 2006 – 21 Oct 2011
Robin Chan Yau Hing	21 Oct 2005	500,000	—	—	500,000	1.9060	22 Oct 2006 – 21 Oct 2011
Charles Cheung Wai Bun	21 Oct 2005	600,000	—	—	600,000	1.9060	22 Oct 2006 – 21 Oct 2011
Robert George Nield	21 Oct 2005	500,000	—	—	500,000	1.9060	22 Oct 2006 – 21 Oct 2011
Employees (in aggregate)	20 May 1998	33,000	—	—	33,000	0.5586	20 May 1999 – 19 May 2008
	30 Dec 1999	#150,000	—	—	150,000	0.3600	30 Dec 2000 – 29 Dec 2009
	28 Feb 2003	615,000	343,000 ^(b)	—	272,000	0.7200	1 Mar 2004 – 28 Feb 2013
	29 Dec 2003	2,000,000	2,000,000 ^(c)	—	—	1.3000	30 Dec 2003 – 29 Dec 2013
	21 Oct 2005	@12,029,000	1,410,000 ^(d)	310,000	10,309,000	1.9060	22 Oct 2006 – 21 Oct 2011
Others	30 Dec 1999	#150,000	150,000 ^(e)	—	—	0.3600	30 Dec 2000 – 29 Dec 2009
	28 Feb 2003	150,000	150,000 ^(f)	—	—	0.7200	1 Mar 2004 – 28 Feb 2013

- # on reclassification of a total number of 150,000 share options under "Employees" to "Others" after the option holder ceased to be an employee of a subsidiary of the Company.
- @ on reclassification of a total number of 340,000 share options under "Others" to "Employees" after the option holder became an employee of an affiliate of the Company.

Note:

- (a) The weighted average closing price of the Shares immediately before the date on which the options were exercised during the year was HK\$2.380.
- (b) The weighted average closing price of the Shares immediately before the dates on which the options were exercised during the year was HK\$2.530.
- (c) The weighted average closing price of the Shares immediately before the dates on which the options were exercised during the year was HK\$2.508.
- (d) The weighted average closing price of the Shares immediately before the dates on which the options were exercised during the year was HK\$2.463.
- (e) The weighted average closing price of the Shares immediately before the date on which the options were exercised during the year was HK\$2.370.
- (f) The weighted average closing price of the Shares immediately before the date on which the options were exercised during the year was HK\$1.720.

Except for the options granted on 29 December 2003 which were fully vested at the date of grant, the other options referred to above were subject to a one-year vesting period.

No options were granted or cancelled during the year ended 31 December 2006.

Except for the Company's share option scheme, at no time during the year was the Company or its subsidiaries a party to any arrangements to enable the Directors or their spouses or children under 18 years of age to acquire Shares in or debentures of the Company or any other body corporate.

CONTINUING CONNECTED TRANSACTIONS

The Company and GEG are connected persons with respect to each other. In 2006, the Company had the following continuing connected transactions with GEG which were carried out in compliance with the disclosure requirements of Chapter 14A of the Listing Rules:

- (1) Shanghai Jiajian Concrete Co. Ltd., Shanghai Xin Cai Concrete Co. Ltd., and Shanghai Jia Shen Concrete Co. Ltd. (all indirect subsidiaries of GEG) continued to lease office units 1802, 1803, and 1804 on the 18th Floor of Shanghai K. Wah Centre from Shanghai Jia Hui Da Real Estate Development Co. Ltd. (an indirect 35.75% owned subsidiary of the Company) pursuant to 3 (3-year) tenancy agreements entered into on 2 June 2005, details of which appear in the joint announcement of the Company and GEG dated 23 August 2005. These continuing connected transactions were carried out during the year within the annual cap for 2006. The independent non-executive Directors have reviewed this continuing connected transactions and have confirmed that they were conducted and entered into in the ordinary and usual course of the Group's business, on normal commercial terms, in accordance with the relevant tenancy agreements governing such transactions, and on terms that are fair and reasonable and in the interest of the Company and its Shareholders as a whole.
- (2) The revolving facilities of up to HK\$330 million granted on 22 July 2002 by Brighten Lion Limited (an indirect wholly-owned subsidiary of GEG) to Great Place Developments Limited (an indirect wholly-owned subsidiary of the Company) were subsisting at the year-end. Details of the facilities appear in the circular of the Company dated 5 August 2002. Such facilities expire by 12 September 2007. The Company has repaid all amounts owing on 30 June 2006 and has not utilized such facilities since then. No annual cap was involved. The Company's independent non-executive Directors have also reviewed this continuing connected transaction and confirmed that it was conducted and entered into on terms no less favorable to the Company than terms otherwise available from independent third parties, and in accordance with the loan agreement dated 22 July 2002, on terms that are fair and reasonable and in the interests of the Shareholders as a whole.
- (3) The guarantee by the Company dated 5 March 1997 in favour of the Government of HKSAR in respect of Contract No.GE/96/10 for 17 years quarrying rights and rehabilitation of the quarry at Tai Sheung Tok, Anderson Road, Kowloon to KWP Quarry Co. Limited (a subsidiary of GEG) was subsisting at the year-end. Details of this continuing connected transaction appear in the announcement of the Company dated 10 November 2006. The Company has also referred to this guarantee in its annual reports since 1997. No annual cap was involved.

Report of the Directors

PRE-EMPTIVE RIGHTS

There are no shareholder pre-emptive rights as a matter of Bermuda law, either under statute or at common law.

DIRECTORS' COMPETING BUSINESS

Dr. Che-woo Lui, and also Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu, through a family trust directly or indirectly, are also interested in companies engaged in the business of property investment and development in Hong Kong, Mainland China and Singapore. As the Board is independent of the boards of these companies, the Group is therefore capable of carrying on its business independently of, and at arm's length from, the business of these companies.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the date of this annual report, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the 2006 Financial Statements and adjusted as appropriate, is shown on pages 16 to 17 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2006:

- (1) The aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover;
- (2) The aggregate amount of purchases (not including the purchases of items which are of a capital nature) attributable to the Group's major suppliers are as follows:

The largest supplier	11.76%
Five largest suppliers	34.84%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors) owns more than 5% of the Company's issued share capital, has any interest in the five largest customers or suppliers (not including or a capital nature).

MANAGEMENT CONTRACTS

No substantial contracts concerning the management and administration of the Company were entered into or existed during the year.

AUDITORS

The 2006 Financial Statements have been audited by PwC, who will retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting.

On behalf of the Board

Che-woo Lui
Chairman

Hong Kong, 29 March 2007