



## MULTIFIELD INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 898)

### FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

#### CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006

|  | Notes | 2006<br>HK\$'000  | 2005<br>HK\$'000   |
|--|-------|-------------------|--------------------|
| REVENUE  | 2     | 181,268           | 1,319,655          |
| Cost of sales  |       | <u>(33,086)</u>   | <u>(1,144,251)</u> |
| Gross profit   |       | 148,182           | 175,404            |
| Other income and gains   | 2     | 162,149           | 78,316             |
| Operating and administrative expenses  |       | (62,463)          | (59,755)           |
| Other operating expenses   |       | —                 | (432)              |
| Finance costs  |       | <u>(39,898)</u>   | <u>(27,786)</u>    |
| PROFIT BEFORE TAX  | 4     | 207,970           | 165,747            |
| Tax  | 5     | <u>(14,725)</u>   | <u>(18,082)</u>    |
| PROFIT FOR THE YEAR  |       | <u>193,245</u>    | <u>147,665</u>     |
| Attributable to:   |       |                   |                    |
| Equity holders of the Company  |       | 144,170           | 126,597            |
| Minority interests   |       | <u>49,075</u>     | <u>21,068</u>      |
|  |       | <u>193,245</u>    | <u>147,665</u>     |
| DIVIDENDS  | 6     |                   |                    |
| Proposed final   |       | <u>16,721</u>     | <u>—</u>           |
| EARNINGS PER SHARE ATTRIBUTABLE TO<br>ORDINARY EQUITY HOLDERS OF THE<br>PARENT |       |                   |                    |
| Basic  | 7     | <u>3.45 cents</u> | <u>3.03 cents</u>  |
| Diluted  | 7     | <u>N/A</u>        | <u>N/A</u>         |

**CONSOLIDATED BALANCE SHEET***As at 31 December 2006*

|   | <b>2006</b><br><i>HK\$'000</i> | <b>2005</b><br><i>HK\$'000</i> |
|---|--------------------------------|--------------------------------|
| <b>NON-CURRENT ASSETS</b>                               |                                |                                |
| Property, plant and equipment                           | 212,177                        | 16,072                         |
| Investment properties                                   | 2,498,930                      | 2,672,840                      |
| Prepaid land lease payments                             | 476                            | 484                            |
| Goodwill  | —                              | —                              |
| Available-for-sale investments                          | 9,270                          | 11,023                         |
| Equity-linked notes                                     | <u>74,236</u>                  | <u>—</u>                       |
| Total non-current assets                                | <u>2,795,089</u>               | <u>2,700,419</u>               |
| <b>CURRENT ASSETS</b>                                   |                                |                                |
| Inventories   | 1,325                          | 2,341                          |
| Properties held for sale                                | 281,851                        | 281,851                        |
| Trade receivables                                       | 9,968                          | 9,233                          |
| Prepayments, deposits and other receivables             | 40,270                         | 17,357                         |
| Equity investments at fair value through profit or loss | 130,407                        | 102,058                        |
| Tax recoverable   | —                              | 1,164                          |
| Pledged deposits  | 167,354                        | 25,463                         |
| Cash and cash equivalents                               | <u>276,212</u>                 | <u>192,776</u>                 |
| Total current assets                                    | <u>907,387</u>                 | <u>632,243</u>                 |
| <b>TOTAL ASSETS</b>                                     | <u>3,702,476</u>               | <u>3,332,662</u>               |
| <b>CURRENT LIABILITIES</b>                              |                                |                                |
| Trade payables  | 1,726                          | 1,908                          |
| Accrued expenses and other payables                     | 110,454                        | 44,604                         |
| Deposits received                                       | 43,816                         | 45,878                         |
| Interest-bearing borrowings                             | 203,125                        | 66,314                         |
| Tax payable   | <u>113,053</u>                 | <u>101,640</u>                 |
| Total current liabilities                               | <u>472,174</u>                 | <u>260,344</u>                 |
| <b>NET CURRENT ASSETS</b>                               | <u>435,213</u>                 | <u>371,899</u>                 |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>            | <u>3,230,302</u>               | <u>3,072,318</u>               |

|  | <b>2006</b><br><i>HK\$'000</i> | <b>2005</b><br><i>HK\$'000</i> |
|--|--------------------------------|--------------------------------|
| <b>NON-CURRENT LIABILITIES</b>                       |                                |                                |
| Interest-bearing borrowings                          | 655,698                        | 727,736                        |
| Due to a director                                    | 1,058                          | 17,634                         |
| Deferred tax liabilities                             | <u>439,192</u>                 | <u>395,116</u>                 |
| Total non-current liabilities                        | <u>1,095,948</u>               | <u>1,140,486</u>               |
| Net assets   | <u><u>2,134,354</u></u>        | <u><u>1,931,832</u></u>        |
| <b>CAPITAL AND RESERVES</b>                          |                                |                                |
| Equity attributable to equity holders of the Company |                                |                                |
| Share capital  | 41,804                         | 41,804                         |
| Reserves   | 1,381,112                      | 1,192,505                      |
| Proposed final dividend                              | <u>16,721</u>                  | <u>—</u>                       |
|  | 1,439,637                      | 1,234,309                      |
| Minority interests                                   | <u>694,717</u>                 | <u>697,523</u>                 |
| Total equity   | <u><u>2,134,354</u></u>        | <u><u>1,931,832</u></u>        |

## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2006*

### **1.1 BASIS OF PREPARATION**

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). They have been prepared under the historical cost convention, except for available-for-sale investments and equity investments at fair value through profit or loss and investment properties, which have been measured at fair value. These financial statements are presented in Hong Kong dollars (HK\$) and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

#### *Basis of consolidation*

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2006. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the

identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

## 1.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

|                              |  |
|------------------------------|--|
| HKAS 21 Amendment            | Net Investment in a Foreign Operation                          |
| HKAS 39 Amendment            | Cash Flow Hedge Accounting of Forecast Intragroup Transactions |
| HKAS 39 Amendment            | The Fair Value Option  |
| HKAS 39 & HKFRS 4 Amendments | Financial Guarantee Contracts                                  |
| HKFRS-Int 4                  | Determining whether an Arrangement contains a Lease            |

The principal changes in accounting policies are as follows:

(a) *HKAS 21 The Effects of Changes in Foreign Exchange Rates*

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31 December 2006 or 31 December 2005.

(b) *HKAS 39 Financial Instruments: Recognition and Measurement*

(i) Amendment for financial guarantee contracts

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*. The adoption of this amendment has had no material impact on these financial statements.

(ii) Amendment for the fair value option

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, and hence the amendment has had no effect on the financial statements.

- (iii) Amendment for cash flow hedge accounting of forecast intragroup transactions

This amendment has revised HKAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as a hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. As the Group currently has no such transactions, the amendment has had no effect on these financial statements.

- (c) *HKFRS-Int 4 Determining whether an Arrangement contains a Lease*

The Group has adopted this interpretation as of 1 January 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. The Group has determined based on this interpretation that certain arrangements of the Group contained leases and accordingly, the Group has treated them in accordance with HKAS 17 *Leases*. However, the adoption of this interpretation has had no material impact on these financial statements.

### 1.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but not yet effective, in these financial statements.

|                  |   |
|------------------|---|
| HKAS 1 Amendment | Capital Disclosures   |
| HKFRS 7          | Financial Instruments: Disclosures  |
| HKFRS 8          | Operating Segments  |
| HK(IFRIC)-Int 7  | Applying the Restatement Approach under HKAS 29 <i>Financial Reporting in Hyperinflationary Economies</i> |
| HK(IFRIC)-Int 8  | Scope of HKFRS 2  |
| HK(IFRIC)-Int 9  | Reassessment of Embedded Derivatives  |
| HK(IFRIC)-Int 10 | Interim Financial Reporting and Impairment  |
| HK(IFRIC)-Int 11 | HKFRS 2— Group and Treasury Share Transactions  |
| HK(IFRIC)-Int 12 | Service Concession Arrangements   |

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of HKAS 32.

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard requires disclosures of the information about the entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers.

HK(IFRIC)-Int 7, HK(IFRIC)-Int 8, HK(IFRIC)-Int 9, HK(IFRIC)-Int 10, HK(IFRIC)-Int 11 and HK(IFRIC)-Int 12 shall be applied for annual periods beginning on or after 1 March 2006, 1 May 2006, 1 June 2006, 1 November 2006, 1 March 2007 and 1 January 2008 respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment and HKFRS 7 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

## 2. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the aggregate of the net invoiced value of goods sold, after allowances for returns and trade discounts, the total amounts received and receivable from the provision of serviced apartment and property management services, and rental income, net of PRC business taxes, from property letting, after elimination of all significant intra-group transactions.

An analysis of revenue, other income and gains is as follows:

|   | <b>2006</b><br><i>HK\$'000</i> | <b>2005</b><br><i>HK\$'000</i> |
|---|--------------------------------|--------------------------------|
| <b>Revenue</b>  |                                |                                |
| Rental income from property letting                     | 147,551                        | 156,622                        |
| Service apartment and property management               | 17,253                         | 12,206                         |
| Trading of steel  | —                              | 1,143,393                      |
| Manufacturing and trading of electronic products        | <u>16,464</u>                  | <u>7,434</u>                   |
|   | <u>181,268</u>                 | <u>1,319,655</u>               |
| <b>Other income and gains</b>                           |                                |                                |
| Interest income from available-for-sale investments     | 3,675                          | 1,513                          |
| Interest income from equity-linked notes                | 17,728                         | —                              |
| Other interest income                                   | 11,156                         | 5,735                          |
| Fair value gains on investment properties               | 53,610                         | 54,905                         |
| Fair value gains, net:                                  |                                |                                |
| Available-for-sale investments (transfer from equity)   | 551                            | —                              |
| Equity investments at fair value through profit or loss | 32,631                         | 1,434                          |
| Gain on disposal of investment properties               | 26,846                         | —                              |
| Gain on disposal of a subsidiary                        | 11                             | —                              |
| Dividend income from listed investments                 | 3,426                          | 3,174                          |
| Others  | <u>12,515</u>                  | <u>11,555</u>                  |
|   | <u>162,149</u>                 | <u>78,316</u>                  |

### 3. SEGMENT INFORMATION

#### (a) Geographical segments

The following table presents revenue, profit and expenditure information for the Group's geographical segments for the years ended 31 December 2006 and 2005.

| Group  | Hong Kong     |               | Elsewhere<br>in the PRC |                | Thailand   |                  | Consolidated     |                  |
|--|---------------|---------------|-------------------------|----------------|------------|------------------|------------------|------------------|
|  | 2006          | 2005          | 2006                    | 2005           | 2006       | 2005             | 2006             | 2005             |
|  | HK\$'000      | HK\$'000      | HK\$'000                | HK\$'000       | HK\$'000   | HK\$'000         | HK\$'000         | HK\$'000         |
| Segment revenue:                                     |               |               |                         |                |            |                  |                  |                  |
| Sales to external customers                          | <u>43,609</u> | <u>38,288</u> | <u>137,659</u>          | <u>137,974</u> | <u>—</u>   | <u>1,143,393</u> | <u>181,268</u>   | <u>1,319,655</u> |
| Segment results                                      | <u>6,781</u>  | <u>13,748</u> | <u>99,856</u>           | <u>93,250</u>  | <u>150</u> | <u>3,835</u>     | 106,787          | 110,833          |
| Interest and dividend income and unallocated gains   |               |               |                         |                |            |                  | 141,175          | 86,431           |
| Unallocated expenses                                 |               |               |                         |                |            |                  | (94)             | (3,731)          |
| Finance costs  |               |               |                         |                |            |                  | (39,898)         | (27,786)         |
| Profit before tax                                    |               |               |                         |                |            |                  | 207,970          | 165,747          |
| Tax  |               |               |                         |                |            |                  | (14,725)         | (18,082)         |
| Profit for the year                                  |               |               |                         |                |            |                  | <u>193,245</u>   | <u>147,665</u>   |
| Segment assets                                       | 874,804       | 912,457       | 2,722,516               | 2,189,779      | —          | —                | 3,597,320        | 3,102,236        |
| Available-for-sale investments                       | 9,270         | 11,023        | —                       | —              | —          | —                | 9,270            | 11,023           |
| Equity-linked notes                                  | 74,236        | —             | —                       | —              | —          | —                | 74,236           | —                |
| Unallocated assets                                   |               |               |                         |                |            |                  | <u>21,650</u>    | <u>219,403</u>   |
| Total assets   |               |               |                         |                |            |                  | <u>3,702,476</u> | <u>3,332,662</u> |
| Segment liabilities                                  | 258,298       | 34,127        | 876,457                 | 58,264         | —          | —                | 1,134,755        | 92,391           |
| Unallocated liabilities                              |               |               |                         |                |            |                  | <u>433,367</u>   | <u>1,308,439</u> |
| Total liabilities                                    |               |               |                         |                |            |                  | <u>1,568,122</u> | <u>1,400,830</u> |
| Other segment information:                           |               |               |                         |                |            |                  |                  |                  |
| Depreciation and amortisation                        | 1,349         | 722           | 1,328                   | 1,369          | —          | —                | 2,677            | 2,091            |
| Change in fair value of investment properties        | 19,940        | (89,780)      | 33,670                  | 34,875         | —          | —                | 53,610           | (54,905)         |
| Capital expenditure                                  | 1,918         | 65,946        | 150,607                 | 1,582          | —          | —                | 152,525          | 67,528           |
| Impairment losses recognised in the income statement | <u>—</u>      | <u>—</u>      | <u>—</u>                | <u>432</u>     | <u>—</u>   | <u>—</u>         | <u>—</u>         | <u>432</u>       |

#### (b) Business segments

The following table presents revenue and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2006 and 2005:

## Group

|                             | Property investment |                | Provision of service apartment and property management services |               | Steel trading |                  | Electronic products |              | Corporate and others |              | Consolidated   |                  |
|-----------------------------|---------------------|----------------|---|---------------|---------------|------------------|---------------------|--------------|----------------------|--------------|----------------|------------------|
|                             | 2006                | 2005           | 2006  | 2005          | 2006          | 2005             | 2006                | 2005         | 2006                 | 2005         | 2006           | 2005             |
|                             | HK'000              | HK'000         | HK'000  | HK'000        | HK'000        | HK'000           | HK'000              | HK'000       | HK'000               | HK'000       | HK'000         | HK'000           |
| Segment revenue:            |                     |                |   |               |               |                  |                     |              |                      |              |                |                  |
| Sales to external customers | <u>147,551</u>      | <u>156,622</u> | <u>17,253</u>   | <u>12,206</u> | <u>—</u>      | <u>1,143,393</u> | <u>16,464</u>       | <u>7,434</u> | <u>—</u>             | <u>—</u>     | <u>181,268</u> | <u>1,319,655</u> |
| Other segment information:  |                     |                |   |               |               |                  |                     |              |                      |              |                |                  |
| Segment assets              | 2,967,580           | 2,366,477      | 15,392  | 5,529         | 69            | 18,112           | 5,530               | 5,136        | 608,749              | 732,446      | 3,597,320      | 3,127,700        |
| Segment liabilities         | (1,077,293)         | (47,697)       | (1,889)   | (9,770)       | (3,028)       | (3,982)          | (4,925)             | (4,335)      | (47,620)             | (26,607)     | (1,134,755)    | (92,391)         |
| Capital expenditure         | <u>149,735</u>      | <u>65,203</u>  | <u>—</u>  | <u>861</u>    | <u>—</u>      | <u>—</u>         | <u>80</u>           | <u>23</u>    | <u>—</u>             | <u>1,441</u> | <u>149,815</u> | <u>67,528</u>    |

## 4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

|   | 2006          | 2005          |
|---|---------------|---------------|
|   | HK\$'000      | HK\$'000      |
| Cost of inventories sold  | 12,593        | 1,121,317     |
| Cost of services provided   | 20,493        | 22,934        |
| Depreciation of owned assets  | 2,669         | 2,578         |
| Impairment of goodwill ( <i>Note (i)</i> )  | —             | 432           |
| Amortization of prepaid land lease payments   | 8             | 9             |
| Minimum lease payments under operating leases for land and buildings  | 1,225         | 1,130         |
| Auditors' remuneration  | 650           | 600           |
| Impairment of trade receivables   | 110           | 327           |
| Loss on disposal of items of property, plant and equipment  | 94            | 20            |
| Loss on disposal of investment properties   | —             | 21,456        |
| Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties | 12,885        | 12,754        |
| Foreign exchange differences, net   | (18,950)      | (18,786)      |
| Fair value losses, net:   |               |               |
| Equity-linked notes   | <u>43,132</u> | <u>—</u>      |
| Employee benefits expense (including directors' remuneration)   |               |               |
| Wages and salaries  | 12,513        | 11,515        |
| Pension scheme contributions ( <i>Note (ii)</i> )   | <u>212</u>    | <u>91</u>     |
|   | <u>12,725</u> | <u>11,606</u> |

Notes:

- (i) The impairment of goodwill for the year ended 31 December 2005 is included in "Other operating expenses" on the face of the consolidated income statement.
- (ii) As at 31 December 2006, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2005: Nil).



## 5. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong for the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

|                               | <b>Group</b>    |                 |
|-------------------------------|-----------------|-----------------|
|                               | <b>2006</b>     | <b>2005</b>     |
|                               | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Current tax — Hong Kong       |                 |                 |
| Charge for the year           | 4,090           | 751             |
| Underprovision in prior years | 637             | —               |
| Current tax — Mainland China  |                 |                 |
| Charge for the year           | 12,145          | 11,260          |
| Deferred tax                  | <u>(2,147)</u>  | <u>6,071</u>    |
| Total tax charge for the year | <u>14,725</u>   | <u>18,082</u>   |

## 6. DIVIDENDS

The Board of Directors has resolved to recommend at the Annual General Meeting to be held on 28 June 2007, the distribution of a final dividend of 0.4 HK cents (2005: Nil) per share. The final dividend if approved, will be distributed to the shareholders on 5 July 2007.

## 7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to equity holders of the Company of approximately HK\$144,170,000 (2005: HK\$126,597,000) and the weighted average number of 4,180,371,092 (2005: 4,180,371,092) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2005 and 2006 have not been disclosed as no diluting events existed during both years.

## BOOK CLOSURE

The Register of Members of the Company will be closed from 26 June 2007 to 28 June 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tengis Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 25 June 2007.

## BUSINESS REVIEW

During the year of 2006, the Group continued to focus principally on its core property investment business and recorded a net profit of approximately HK\$193 million (2005: HK\$148 million), an increase of 30.4% as compared with 2005.

## **PROPERTY INVESTMENT**

### **Shanghai, PRC**

The Group's Shanghai service apartment chain, operating under the name "Windsor Renaissance", has already built up a market niche in Shanghai and has continued to contribute a strong return of investment with occupancy rate consistently maintained over 90%. Our trademark, "Windsor Renaissance", which represents a symbol of high quality service apartments, has been nicely accepted by the expatriate community in Shanghai and our tenant base covers hundreds of multinational corporations from over the world. At present, a portfolio of around 400 service apartments and villas are under our management.

### **Zhuhai, PRC**

The Group remains interested in its long-term property development strategy in the PRC despite the introduction of macro-economic measures to regulate property activities. On 12 June 2006, the Group acquired a land area of approximately 36,808 square metres in Zhuhai, PRC for a consideration of approximately RMB134 million (equivalent to approximately HK\$129 million) by acquisition of a 100% equity interest of a property project development company in Zhuhai. The land is planned to be developed into a fully integrated shopping mall after completion of the demolition and removal of existing constructions thereon.

The Management believes that the acquisition will present a good opportunity for the Group to strengthen its business in the field of property development in the PRC and has confidence that the development of the land will bring reasonable profit to the Group.

### **Hong Kong**

The investment properties in Hong Kong continued to maintain an occupancy rate of 70% and generated a steady rental revenue of approximately HK\$26 million (2005: HK\$31 million) to the Group for the year ended 31 December 2006.

On 15 May 2006, the Group disposed of the property of Multifield Building at North Point, Hong Kong for a consideration of HK\$329 million. The disposal was completed on 8 August 2006 and the gain accrued to the Group upon completion was approximately HK\$26.8 million. The net sale proceeds of approximately HK\$326.8 million would be used to provide funding for the Group's development projects on hand and contemplated and to further strengthen the liquidity assets mix and the overall financial position of the Group.

## **STEEL TRADING**

The Group did not engage in steel trading during the year under review since the management adopted a prudent approach to minimize risk exposure of steel prices which fluctuated significantly. Indeed, the PRC continued to implement macroeconomic control measures to rein in economic development during 2006, with bank borrowing rates raised and export tax rebate rates for steel products reduced. The management forecasted that the coming year would still be a hard time for international steel market and accordingly, much more effort has to be devoted to explore business opportunities.

## **PORTFOLIO INVESTMENTS**

The Group continued to undertake portfolio investments during the year under review since the Group believes that substantial cash balances can be generated from time to time and limited portfolio investing activities will improve the return on cash balances and enhance the Group's profitability. However, the Hong Kong and other overseas stock markets were very volatile and vulnerable during the year and as a result, the Group only performed to an acceptable level when marking the investment portfolios to the market valuation as at 31 December 2006.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group generally finances its operations with internally generated cash flow and banking facilities provided by its principal bankers in Hong Kong and Shanghai. As at 31 December 2006, the Group had outstanding bank loans amounting to approximately HK\$859 million (2005: HK\$794 million), which were secured by legal charges on certain investment properties and properties held for sale in Hong Kong and Shanghai. As at 31 December 2006, among the total outstanding bank borrowings, HK\$144 million (2005:HK\$66 million) are repayable within one year, HK\$64 million (2005: HK\$65 million) are repayable in the second year with the remaining balance repayable beyond the second year. The Group's cash and bank balances and short term bank deposits as at 31 December 2006 amounted to approximately HK\$444 million. The Group's gearing ratio as at 31 December 2006 was approximately 29% (2005: 29%) based on the total bank borrowings of approximately HK\$859 million (2005: HK\$794 million) and the aggregate of the shareholders' funds, minority interests and total bank borrowings of approximately HK\$2,993 million (2005: HK\$2,726 million).

## **PERSONNEL**

As at 31 December 2006, the Group had a total of 420 employees, of whom 390 were based in the PRC and 30 in Hong Kong. The remuneration packages of the Group's employees are mainly based on their performance and experience, taking into account current industry practices.

In addition to the provision of provident fund scheme, medical allowance, in-house and external training programs, discretionary bonus and share option scheme are also available to employees based on their performance. The remuneration policy and packages of the Group's employees are reviewed regularly.

## **PROSPECTS**

Hong Kong's economy continued to prosper, boosted by thriving global markets and the territory's ongoing economic ties with the PRC. Demand continued to outstrip supply in office sector, pushing up rents and occupancy rates in commercial districts. The Group will continue to enhance its investment portfolio through its progressive yet steady growth strategy, focused on seeking for good investment opportunities.

In 2006, the real estate industry in the PRC moved into the consolidation stage after the PRC had continued to implement macro-economic control measures on the real estate market. Yet, according to the preliminary calculation of the State Statistics Bureau in the PRC, the national GDP for the year 2006 recorded an increase of 10.7% compared to that of 2005 based on comparable price basis. In fact, we are very optimistic about our serviced-apartment chain operation in Shanghai, as we have already established a firm footing and a strategic presence in Shanghai to deliver solid performance in this sector of business.

In the coming year of 2007, the Group will under the principle of prudence carefully while actively identify development projects that have good potential for development, and put much effort on identifying new development projects opportunities and high quality land banks for future growth in the Pearl River Delta. The Group will also enhance central administration and segment operations for its entities. We strongly believe that the Group has laid a solid foundation for transforming itself into an integrated real estate operator that develops and leases offices, residential and shopping malls.

## **CORPORATE GOVERNANCE REPORT**

In the opinion of the directors, save as disclosed below, the Company has complied with the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2006.

- (a) Under the code provisions of A.4.1 and A.4.2, (i) non-executive directors should be appointed for a specific term and subject to re-election; and (ii) all directors appointed to fill a causal vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Non-executive directors do not have a specific term of appointment and under the Bye-laws of the Company, at each general meeting, one third of the directors for the time being, or if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office by rotation save any director holding office as chairman and managing director. The Company intends to propose any amendment of relevant Bye-laws, if necessary, in order to ensure compliance with the Code on Corporate Governance Practices.

- (b) Under the code provision of A.2, the role of chairman and chief executive officer should be separated and should not be performed by the same individual.

The Company does not present have any officer with the title of “chief executive officer”. Mr. Lau Chi Yung, Kenneth is the chairman and managing director of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company and is conducive to strong and consistent leadership, enabling the Company to respond promptly and efficiently.

## **MODEL CODE FOR DIRECTOR'S SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions. Based on specific enquiry of all the directors of the Company, the directors have complied with the required standard as set out in the Model Code for the year ended 31 December 2006.

## **AUDIT COMMITTEE**

The Audit Committee, comprising of three independent non-executive Directors, has already discussed with management of the Company about the accounting policies and internal controls system adopted by the Group and has reviewed the consolidated financial statements of the Group for the year ended 31 December 2006 before submitting to the Board for approval.

## **PURCHASES, SALES OR REDEMPTIONS OF THE COMPANY'S LISTED SECURITIES**

During the year, there were no purchases, sales or redemptions of the Company's listed securities by the Company or by any of its subsidiaries.

## **PUBLICATION OF ANNUAL REPORT**

The full text of the Company's 2006 Annual Report will be sent to the shareholders of the Company and posted on the website of the Stock Exchange of Hong Kong Limited ([www.hkex.com.hk](http://www.hkex.com.hk)) in due course.

## **BOARD OF DIRECTORS**

As at the date hereof, the Board of Directors of the Company comprises five Directors of whom two are Executive Directors, namely Mr. Lau Chi Yung, Kenneth and Mr. Lau Michael Kei Chi; and three Independent Non-executive Directors, namely Mr. Choy Tak Ho, Mr. Lee Siu Man, Ervin and Mr. Wong Yim Sum.

By Order of the Board  
**Lau Chi Yung, Kenneth**  
*Chairman*

Hong Kong, 25 April 2007