Zen Wei Pao, William
Chairman

Dear shareholders,

The board of directors (the "Board") of the Company announces that the Group's audited turnover for the year ended 31st December, 2006 was HK$678 million (2005: HK$595 million) generating an audited consolidated profit attributable to equity holders of HK$263 million (2005: HK$200 million), an increase of 32% as compared with that of 2005. If including turnover of jointly controlled entities shared by the Group, the Group's turnover for the year was HK$1,062 million (2005: HK$747 million).

At the forthcoming Annual General Meeting to be held on 15th May, 2007, the Board will recommend the payment of a final dividend of HK6 cents (2005: HK9 cents).

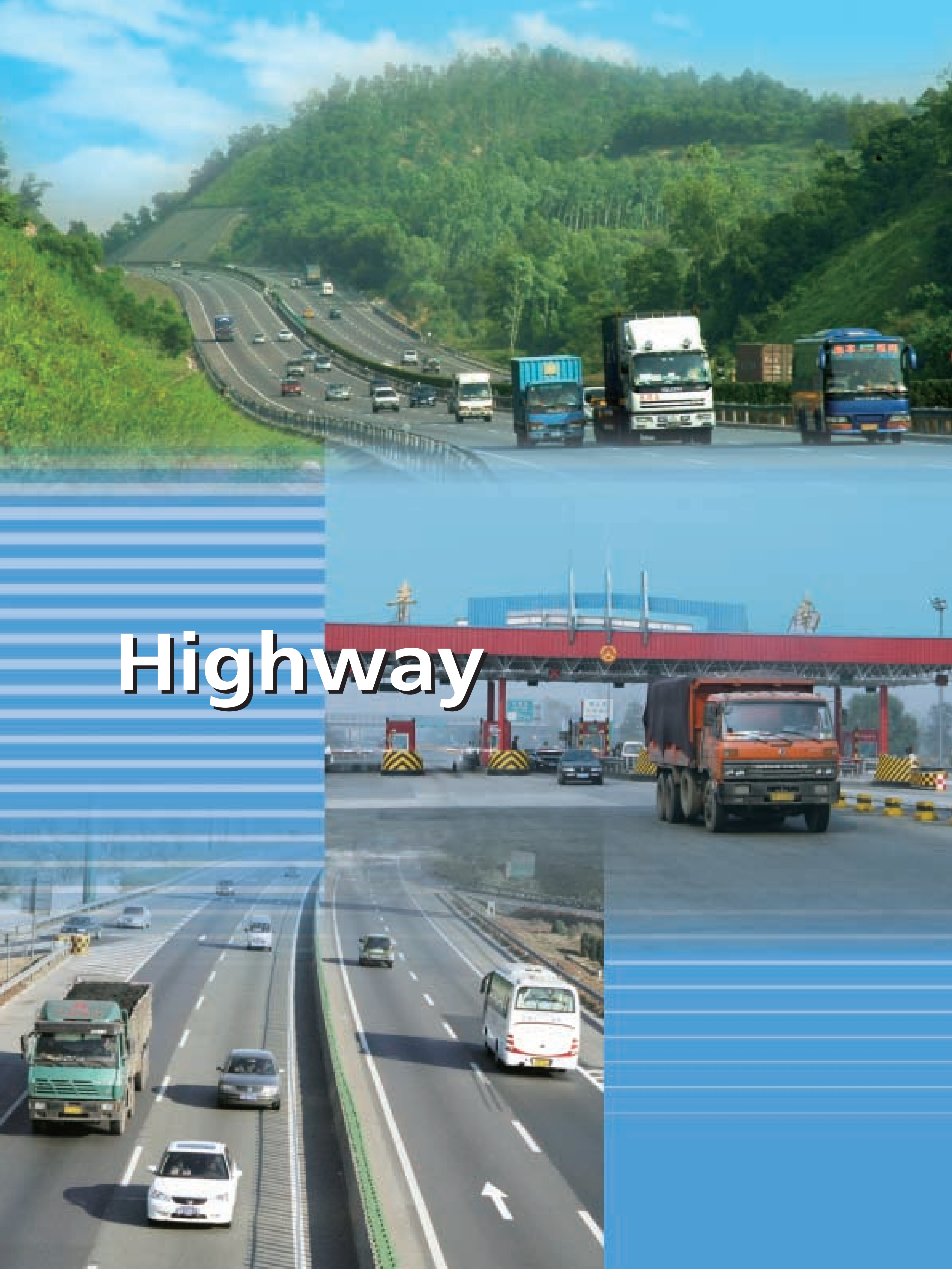
BUSINESS REVIEW

Highway and Expressway Operations and Property Development

Road King Infrastructure Limited ("Road King"), an associate of the Group, contributed profit of HK$340 million to the Group for the year ended 31st December, 2006 (2005: HK$214 million). The contribution for the year was stated after taking into account the discount on acquisition of additional interest in Road King amounting to HK$1 million and the net gain of HK$36 million on deemed disposals of partial interest in Road King resulting from its placement of new shares to investors and exercise of share options by directors and employees of Road King. As a result of these dilutions in interest, the interest of the Group in Road King was reduced in aggregate by 6.7% to 39.9% at the balance sheet date.

For the year ended 31st December, 2006, Road King recorded an audited profit attributable to equity holders of HK$705 million (2005: HK$428 million), an increase of 65% as compared with that of 2005. In 2006, profit contributions from toll road business continued to growth and the acquisition of Sunco group further expands Road King's business portfolio.

Highway



BUSINESS REVIEW *(Continued)*

Highway and Expressway Operations and Property Development *(Continued)*

For the year, traffic volume and revenues of the toll road projects were 134 million vehicles and RMB2.23 billion respectively. Compared with those in 2005 (reduced by the volume and revenues of the disposed project), 2% and 4% rises were achieved.

A growth of 8.6% and 7.0% in the traffic volume and toll revenues was recorded for Road King's expressways; but Class I and II highways experienced slight declines as a result of traffic diversions. To minimize such impacts, Road King plans to sell portions of the interest in Class I and II highways when opportunities arise. In April 2006, Road King disposed of its entire interest in the Taiyuan Ximing-Gujiao Highway (Class II) in the Shanxi Province for a consideration of RMB125 million. A small profit was recorded in the transaction.

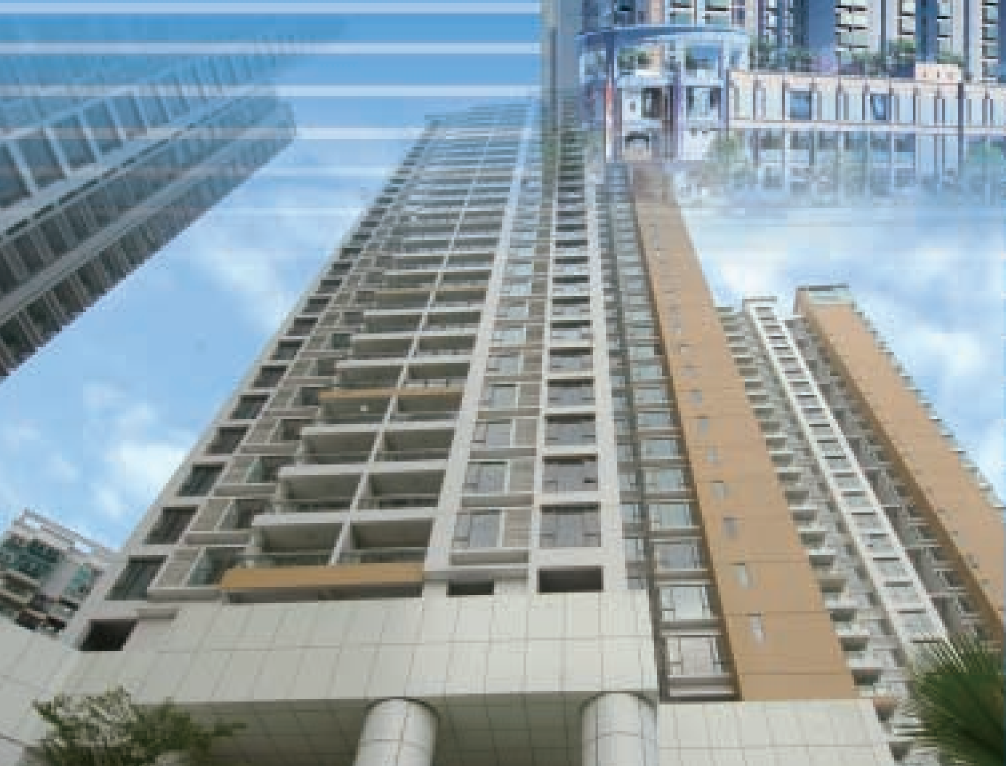
Expressway projects will continue to be the star of the Road King's business. In 2006, expressway income accounted for 67% of the aggregate toll income. Continued growth in expressway income is expected for years to come and such revenues will represent an increasingly higher proportion of the toll income pool.

Road King has dedicated to developing high quality real estate projects since it entered China's property market in 2004. The property business started generating profit for Road King in 2006. During the year, properties with a total floor area of 100,000 square meters were sold. Road King anticipates a substantial increase in the supply of saleable floor space in 2007.

In September 2006, Road King announced the acquisition of Sunco group's property assets in stages. After the acquisition, Road King will speed up and expand its China property business in major cities including Beijing, Tianjin, Jinan, Qingdao, Zhengzhou, Luoyang, Suzhou, and Wuhan.

As at 31st December, 2006, Road King had in its inventory a gross developable floor area of approximately 2.9 million square meters. Upon completion of the said acquisition, the total construction area will increase to 6.3 million square meters.

Properties



BUSINESS REVIEW *(Continued)*

Civil Construction

The Group's construction sector, Build King Holdings Limited ("Build King") registered turnover and share of turnover of jointly controlled entities of HK$989 million (2005: HK$696 million) and profit attributable to equity holders of HK$7 million (2005: HK$30 million) for the year ended 31st December, 2006, of which the Group's share was HK$4 million (2005: HK$15 million). As of the date of this Statement, the Group owns 54.06% in Build King.

Hong Kong has continued to be the main operating base of Build King but the market conditions have been difficult with lesser number of public sector tenders. The major new public works contract secured was the development of the Ecopark at Tuen Mun Area 38. In the private sector, Build King was able to expand its client base to include airport and utility companies. A significant private sector contract was secured for an aircraft hanger for Hong Kong Business Aviation Centre Limited at the airport.

During the year, several contracts were completed successfully including major hanger project for Hong Kong Aircraft Engineering Company Limited. Other contracts were substantially completed, amongst these were tunnels on Lamma Island for Hong Kong Electric Company Limited, noise barriers works on the Fanling Highway and a new flyover complex in Causeway Bay for Highways Department.

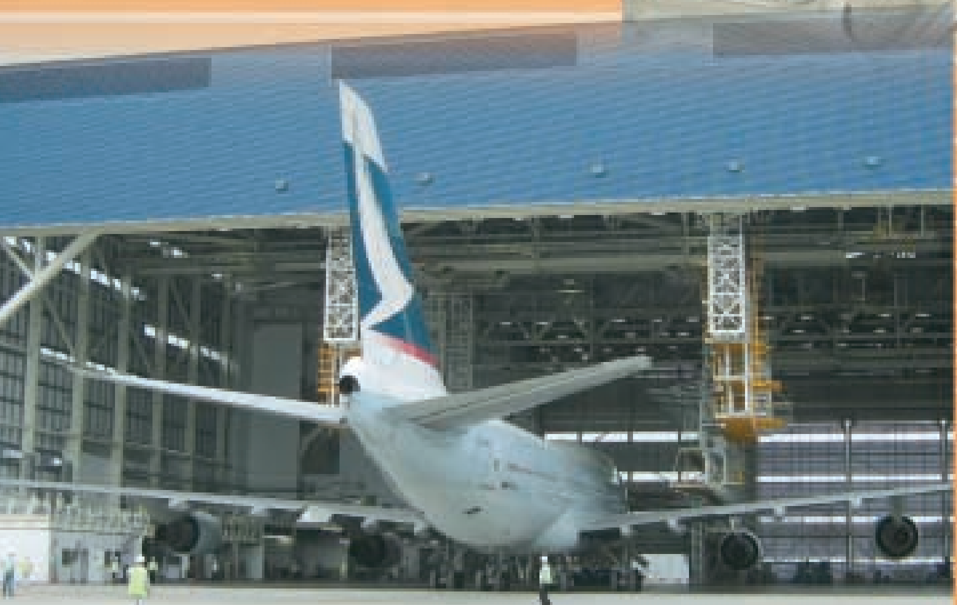
Build King's strategy of improving the quality of its service has been successful and the performance scores of the various operating companies as measured by the Environment, Transport and Works Bureau have improved or been maintained and are above the industry average.

Although Build King predicted last year that the civil engineering market would improve in 2006, this was not the case. Nevertheless, there was a small profit recorded in the civil engineering construction activity in the PRC, it was an improvement of loss situation in the past. Civil engineering continues to be an important but difficult market for Build King. However, Build King will be prepared and ready to bid for any major tenders when they do come out.

Build King's persistent effort to diversify its operations overseas progresses. In the PRC, the construction of Build King's first build-operate-transfer project for which it is an investor – a 20,000 tonnes per day sewage plant at Wuxi, Jiangsu Province – was completed after the year end, slightly late but within budget. Whilst the treatment and quality of the effluent is satisfactory, the throughput to date is disappointingly low, with a significant improvement expected in 2007. Build King is now actively seeking further suitable environmental projects to invest, and will consider those within its capacity and capability.

On the other hand, to further develop its construction activity in the PRC, Build King will increase its stake to 49% in its joint venture company – China Railway Tenth Group Third Engineering Co., Ltd., which substantially completed one pipeline project in Wuxi City during the year and one major highway project was secured.

Construction



BUSINESS REVIEW *(Continued)*

Civil Construction *(Continued)*

The joint venture formed between Build King and Road King in Changzhou is working out well with three towers topped out by the year-end. Subsequent to Road King's recent acquisition of Sunco group, Build King is pursuing further opportunities with Road King, either as a contractor or as developer-construction manager. It is anticipated that such a relationship would generate a steadily increasing turnover and margin in the next few years.

In Middle East, the profit predicted for 2006 was not achieved and the level of activity has not increased as fast as expected. A breakeven result was recorded. In September 2006, Build King formed a 50:50 joint venture with Arabian Construction Company ("ACC") to undertake marine engineering construction. ACC is a major contractor in the UAE and it was believed that its local contacts, knowledge and experience will benefit Build King whilst Build King will bring to them specialist marine experience. It has recently been agreed with ACC to extend the activities of the joint venture to include general civil engineering as well as marine related work.

As of the date of this Statement, Build King had contracts on hand of about HK$4,466 million, of which about HK$1,700 million has yet to be completed.

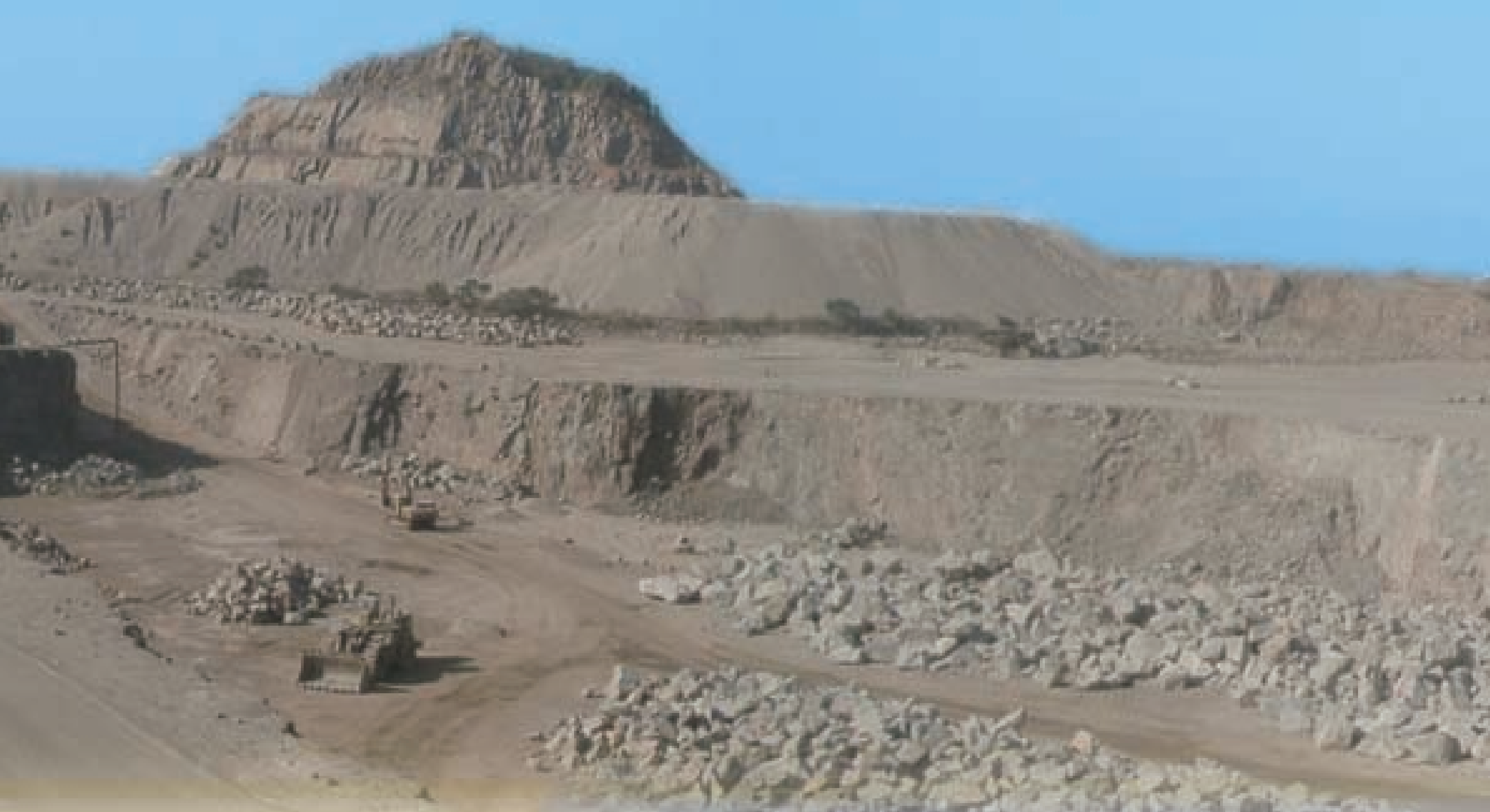
Quarrying

The turnover of quarrying division for the year ended 31st December, 2006 was HK$43 million (2005: HK$32 million). The quarrying division recorded a profit from operations of HK$13 million for the year (2005: HK$4 million).

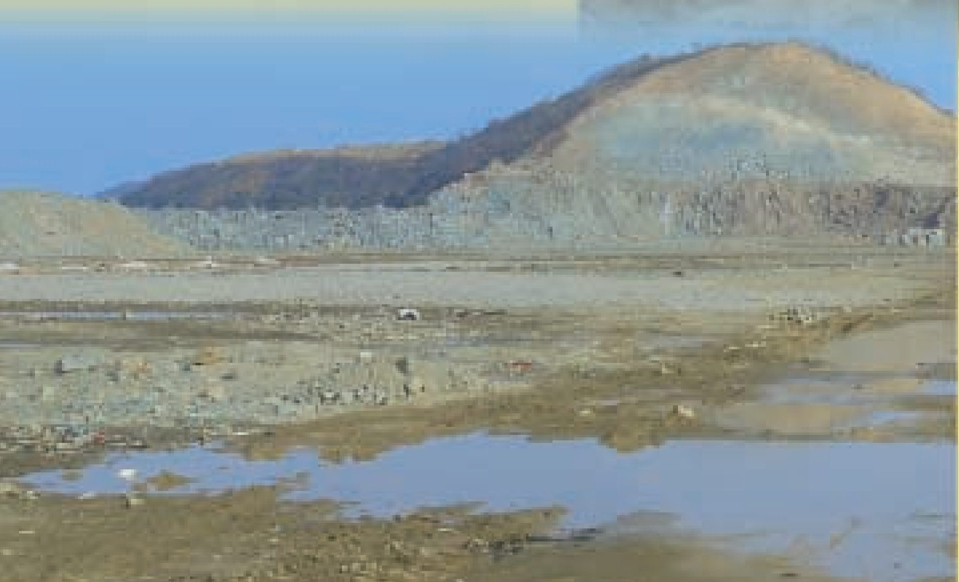
The total tonnage of quarry material sold in 2006 was 1.06 million, a slight increase of 6% compared with that of 2005. As a result of downsizing and cost cutting, the profit margin increased from 18.8% in 2005 to 23.9% this year. Despite the significant increase in raw materials prices of diesel and explosive, the division still recorded remarkable increase in profit for the year, credit for this outstanding result should go to quarrying staff.

The overall construction market in Hong Kong is suffering from significant shortage of works in 2006, looking forward, we do not expect meaningful improvement in 2007. So our strategy for the coming year is to continue keeping our cost low and awaiting for market recovery.

As always, we closely monitor the overall operating environment in this sector and should the right opportunities come along, either in Hong Kong or elsewhere, we will not hesitate to make meaningful investment, provided we are certain of the long term prospect of the business. We trust 2007 will be another profitable year though the quantum of which may not be able to make a big impact on the Group's bottom line.



Quarry



BUSINESS REVIEW *(Continued)*

Bio-technology

The turnover of the bio-technology division for the year ended 31st December, 2006 was HK$22.8 million (2005: HK$18.1 million). The division recorded a loss of HK$34.5 million for the year (2005: HK$13.1 million). The loss recorded this year included a HK$19.7 million provision for the fixed assets and inventories.

2006 was a difficult year for the bio-technology division. Despite the marginal increase in sales, the profit margins of products had not improved as targeted. The division's products have not been fully recognized in the market. The operating loss was extended due to the increase in selling expenses and returned goods. While the production facilities were not yet fully utilized during the year, the associated depreciation cost was increased. As a prudent measure, the Board has decided to make a provision of HK$15 million and HK$4.7 million in respect of the fixed assets and inventories respectively.

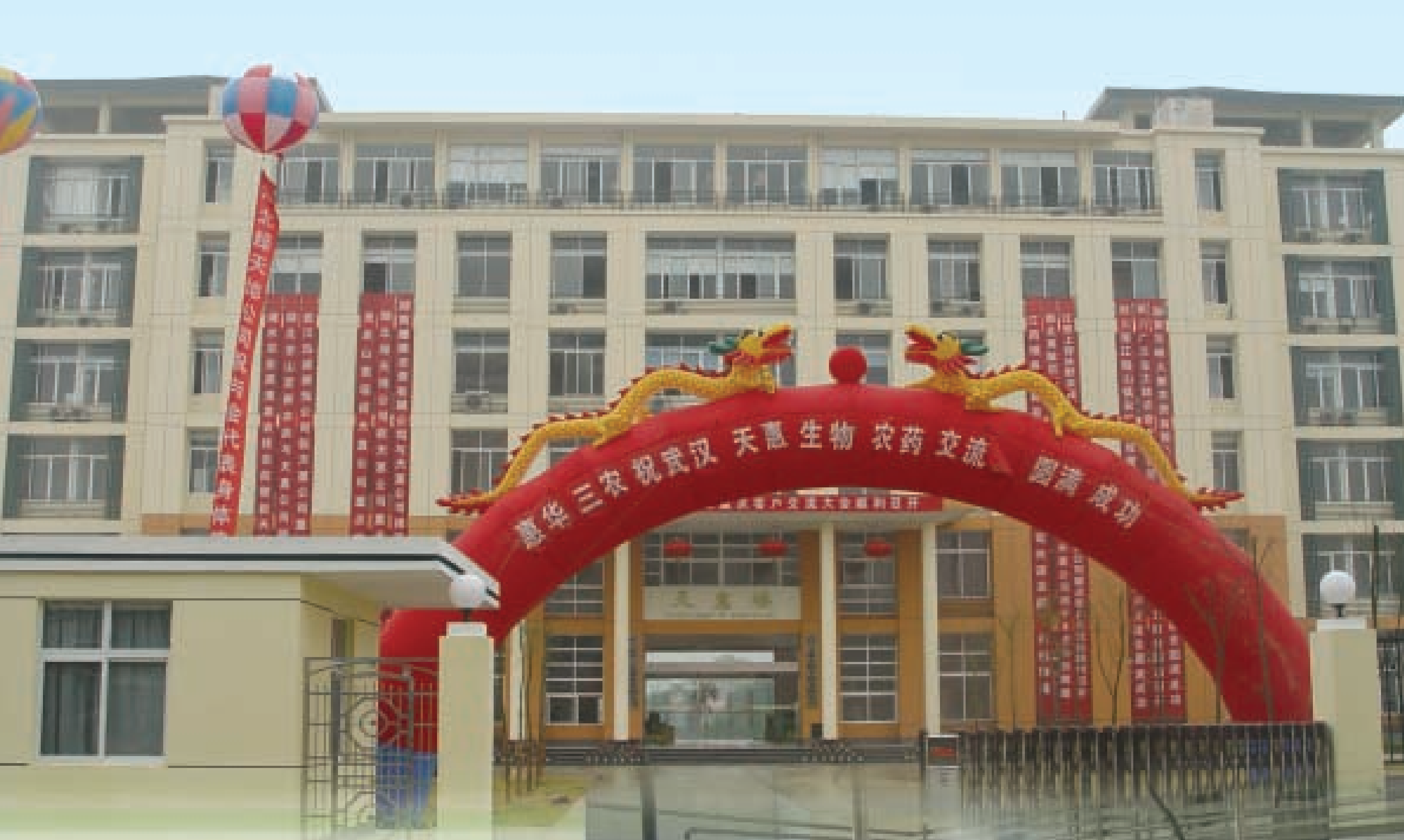
Despite the difficulties encountered in the business, we have taken various measures to improve the performance of the division. A new management team with extensive experience in bio-technology business in the PRC has been deployed in late 2006 to improve the product quality and profit margin of the products. The division will also consolidate its business by concentrating on those products with higher profit margins. Strict cost control measures are implemented to reduce the production and operating cost.

By shifting the product focus to those with higher profit margins and fully utilizing the production facilities, the management targets to improve the overall profit margin of the division in 2007. With the solid experience established in the past few years coupled with the new management team and cost control measures, it is believed that the division would achieve a better result in the coming year.

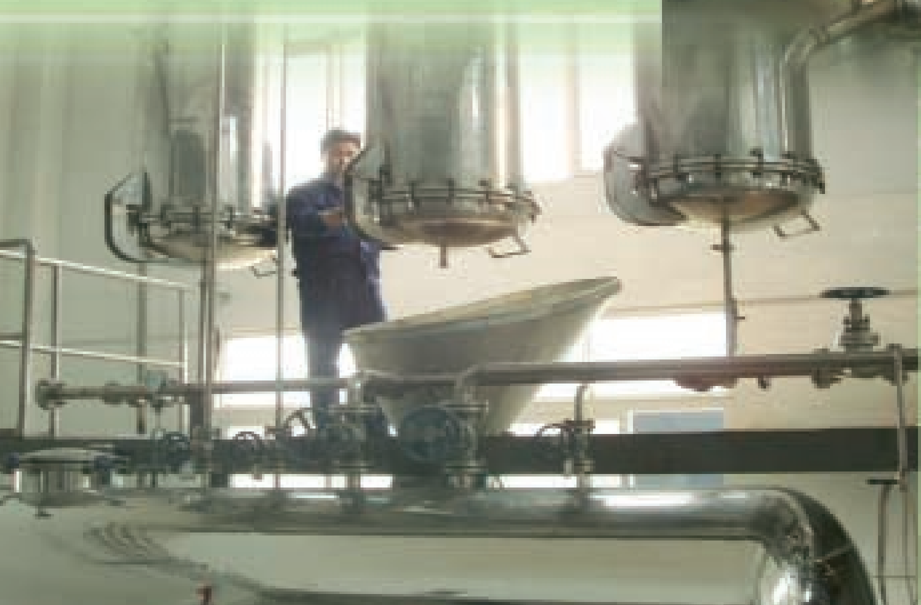
North American Ginseng

In December 2006, Road King distributed shares of its 84.2% subsidiary, Chai-Na-Ta Corp. ("CNT"), to all shareholders of Road King. The Group, being then the major shareholder of Road King, was allotted a total of 13.2 million shares of CNT, which was equivalent to 38.1% of the total issued share capital of CNT. As a result, the Group is now the single largest shareholder of CNT and hence took over the management responsibility of CNT in 2006. The Vice Chairman, Mr. Derek Zen Wei Peu, was subsequently elected as the Chairman of CNT Board and is currently responsible for its operation.

CNT is a North American ginseng ("NAG") farming company in Canada, for the past decade or so CNT is the largest NAG farming company in North America currently with 966 acres of ginseng farm in Ontario and British Columbia, Canada. The ginseng harvest in 2006 was about 800,000 lbs representing about 11.8% of total world NAG production. Over 95% of the NAG was sold to China market.



Bio-Technology



BUSINESS REVIEW *(Continued)*

North American Ginseng *(Continued)*

Despite CNT being the largest NAG grower, the economic reality is that the market is currently in oversupply situation. Prices for high quality NAG had dropped from C$30/lb a few years ago to C$14/lb in 2006. Generally, the production cost of NAG in Canada is around C$12-14/lb. In growing NAG, the three most important metrics to look at are the selling price, yield per acre and the percentage of rust for each year harvest. The selling price entirely depends on the supply and demand situation of the NAG market. In 2006, the average selling price of CNT's ginseng was C$6/lb (2005: C$10/lb) due to low selling price of the general market and the high level of rusted roots produced. The other two metrics are within the control of the farms: yield per acre, the higher the better, and rust percentage, the lower the merrier. In 2006, CNT's yield per acre was 2,576 lbs/acre (2005: 2,240 lbs/acre) and the percentage of rust is 31% (2005: 52%), two steps in the right direction, but that was not sufficient to turn the business into a profitable one.

For the year ended 31st December, 2006, CNT had reported a net loss of C$9.5 million (2005: C$8.1 million), or C$0.34 per basic share (2005: C$0.33). The Group held 38.1% interest in CNT subsequent to distribution of CNT shares by Road King and its share in loss of CNT was HK$17 million for the year ended 31st December, 2006. Given the business economics of growing NAG as such, the Company expects the business results for the following few years to be negative.

NAG growing is a tough, difficult and commodity-like business. Currently, the Group is taking a tough approach to nurse the business. As farming is not the Group's core business competence, if the NAG business could not stand on its feet in short term, the Group is considering of severing the business from the Group as in a leaking boat, energy devoted to changing vessels is likely to be more productive than energy devoted to patching leaks. Nonetheless, it will all depend on how chronically leaking the boat is.

FINANCIAL REVIEW

Liquidity and Financial Resources

During the year, total borrowings were increased from HK$167 million to HK$325 million with the maturity profile summarised as follows:

	As at 31st December,	
	2006	2005
	HK$'million	*HK$'million*
Within one year	**195**	114
In the second year	**49**	18
In the third to fifth year inclusive	**81**	35
	325	167

FINANCIAL REVIEW *(Continued)*

Liquidity and Financial Resources *(Continued)*

During the year, the Group raised some additional bank loans and also entered into a contract of structured borrowing with a bank for a period of five years. The entire contract was designated as financial liabilities at fair value through profit or loss. Change in its fair value of HK$11 million at the balance sheet date has been charged to the consolidated income statement for the current year. Other than the fixed rate borrowings of approximately HK$13 million which carry interest ranging from 5.85% to 6.11%, the remaining bank loans are variable-rate borrowings which carry interest ranging from 5% to 10%.

As at 31st December, 2006, the Group's cash and bank balances amounted to HK$105 million (2005: HK$125 million), of which bank deposits amounting to HK$7 million (2005: HK$7 million) were pledged to banks for the purpose of meeting the terms and conditions of certain construction contracts entered into by the Group.

The Group recorded finance expenses for the year ended 31st December, 2006 of HK$11 million (2005: HK$5 million).

With an objective to enhance the return on surplus cash on hand, the Group had invested for the short term in a portfolio of equity securities listed in Hong Kong. As at 31st December, 2006, such investments were stated at their fair values in a total amount of HK$102 million (2005: HK$66 million). Certain equity securities with market value of HK$42 million (2005: HK$20 million) were pledged to a bank to secure general banking facilities granted to the Group. For the year ended 31st December, 2006, the Group recorded a net gain of HK$40 million (2005: a net loss of HK$3 million) from these investments, being the realised and unrealized profits plus dividend income received.

The Group's borrowings, investments and cash balances were principally denominated in Hong Kong dollars, Renminbi and US dollars. Hence, there is no significant exposure to foreign exchange rate fluctuations.

Capital Structure and Gearing Ratio

As at 31st December, 2006, the equity attributable to equity holders amounted to HK$2,833 million, representing HK$3.57 per share (2005: HK$2,610 million, representing HK$3.29 per share). Increase in equity attributable to equity holders was mainly attributable to the profit generated in the year after deduction of dividends paid during the year.

The net gearing ratio, being the ratio of net borrowings (total borrowings less cash and bank balances) to equity attributable to equity holders, was 7.8% (2005: 1.6%) at the balance sheet date.

FINANCIAL REVIEW *(Continued)*

Pledge of Assets

As at 31st December, 2006, apart from the bank deposits pledged to banks for the purpose of meeting the terms and conditions of certain construction contracts entered into by the Group and certain equity securities pledged to a bank to secure general banking facilities granted to the Group, prepaid lease payment on land use rights and building with a carrying value of HK$7 million were pledged to secure the banking facilities granted to the Group.

Contingent Liabilities

As at 31st December, 2006, the Group had contingent liabilities amounting to HK$67 million (2005: HK$106 million) related to guarantees/counter indemnities given in respect of outstanding tender/performance/retention bonds for construction contracts.

FUTURE OUTLOOK

The Board holds positive beliefs in the continued growth of the Group. Given Road King's track record of toll road management and its significant investments in the property development and management field, the Board foresees a strong outlook for the stable and diversified sources of income and anticipates a gradual recognition of Road King's brand and influence in the property sector in the PRC.

Guided by professional care and prudence, the Board will continue to explore new investment opportunities that will produce synergy when combined with the Group's core businesses.

APPRECIATION

The Board would like to take this opportunity to extend its heartiest thanks to the entire loyal and dedicated staff.

Zen Wei Pao, William
Chairman

3rd April, 2007