

DIRECTORS' REPORT

We are pleased to submit this report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2006.

DIRECTORS

The directors in office at the date of this report are as follows:

Kwek Leng Beng (Executive Chairman)

Kwek Leng Joo (Managing Director)

Chee Keng Soon

Chow Chiok Hock

Foo See Juan

Kwek Leng Peck

Han Vo-Ta

Tang See Chim

PRINCIPAL ACTIVITIES

The principal activities of the Company are those of a property developer and owner and investment holding.

The principal activities of the subsidiaries are those of property developers and owners, hotel owners and operators, club operator and owner, investment in properties and in shares, property management, project management and consultancy services and providers of information technology and procurement services.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangements whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants and/or debentures of the Company, or of related corporations, either at the beginning or at the end of the financial year. The directors of the Company consider Hong Leong Investment Holdings Pte. Ltd. to be the immediate and ultimate holding company of the Company.

DIRECTORS' REPORT

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50, particulars of interests of directors who held office at the end of the financial year and their spouses and infant children in shares, share options and/or warrants in the Company and in related corporations are as follows:

	HOLDINGS IN WHICH THE DIRECTOR, HIS SPOUSE AND INFANT CHILDREN HAVE A DIRECT INTEREST	
	AT BEGINNING OF THE YEAR	AT END OF THE YEAR
The Company		
Ordinary Shares		
Kwek Leng Beng	361,115	397,226
Kwek Leng Joo	59,510	65,461
Kwek Leng Peck	43,758	43,758
Tang See Chim	10,000	11,000
Warrants 2006		
Kwek Leng Beng	36,111	–
Kwek Leng Joo	5,951	–
Tang See Chim	1,000	–
Preference Shares		
Kwek Leng Beng	144,445	144,445
Kwek Leng Joo	100,000	100,000
Tang See Chim	4,000	4,000
Immediate and Ultimate Holding Company		
Hong Leong Investment Holdings Pte. Ltd.		
Ordinary Shares		
Kwek Leng Beng	2,320	2,320
Kwek Leng Joo	1,290	1,290
Kwek Leng Peck	304	304
Subsidiaries		
City e-Solutions Limited		
Ordinary Shares of HK\$1 each		
Kwek Leng Beng	3,286,980	3,286,980
Kwek Leng Joo	1,436,000	1,436,000
Kwek Leng Peck	2,082,200	2,082,200
Foo See Juan	8,363	8,363

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (cont'd)

	HOLDINGS IN WHICH THE DIRECTOR, HIS SPOUSE AND INFANT CHILDREN HAVE A DIRECT INTEREST	
	AT BEGINNING OF THE YEAR	AT END OF THE YEAR
Subsidiaries (Cont'd)		
Millennium & Copthorne Hotels New Zealand Limited		
Ordinary Shares		
Kwek Leng Beng	3,000,000	3,000,000
Related Corporations		
Hong Leong Finance Limited		
Ordinary Shares		
Kwek Leng Beng	4,603,567	4,603,567
Kwek Leng Joo	703,610	703,610
Kwek Leng Peck	517,359	517,359
Foo See Juan	22,981	22,981
Options to subscribe for the following number of ordinary shares under the Hong Leong Finance Share Option Scheme 2001		
Kwek Leng Beng	1,720,000	2,044,000
Hong Leong Holdings Limited		
Ordinary Shares		
Kwek Leng Beng	259,000	259,000
Kwek Leng Joo	210,000	210,000
Chow Chiok Hock	1,000	1,000
Kwek Leng Peck	381,428	381,428
Hong Leong Asia Ltd.		
Ordinary Shares		
Kwek Leng Beng	600,000	600,000
Kwek Leng Peck	1,000,000	1,000,000
Options to subscribe for the following number of ordinary shares under the Hong Leong Asia Share Option Scheme 2000		
Kwek Leng Beng	60,000	60,000
Kwek Leng Peck	100,000	100,000

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (cont'd)

	HOLDINGS IN WHICH THE DIRECTOR, HIS SPOUSE AND INFANT CHILDREN HAVE A DIRECT INTEREST	
	AT BEGINNING OF THE YEAR	AT END OF THE YEAR
Related Corporations (cont'd)		
Hong Realty (Private) Limited		
Ordinary Shares		
Kwek Leng Beng	1,110	1,110
Kwek Leng Joo	510	510
Kwek Leng Peck	150	150
Euroform (S) Pte. Limited		
Ordinary Shares		
Kwek Leng Joo	50,000	50,000
Sun Yuan Holdings Pte Ltd		
Ordinary Shares		
Kwek Leng Beng	15,000,000	15,000,000
Hong Leong-Summit Pte Ltd		
Ordinary Shares		
Han Vo-Ta	920,000	920,000
	OTHER HOLDINGS IN WHICH THE DIRECTOR IS DEEMED TO HAVE AN INTEREST	
	AT BEGINNING OF THE YEAR	AT END OF THE YEAR
Immediate and Ultimate Holding Company		
Hong Leong Investment Holdings Pte. Ltd.		
Ordinary Shares		
Kwek Leng Beng	68,596	68,596

The directors' interests in the Company as disclosed above remained unchanged as at 21 January 2007.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS

During the financial year, the Company and/or its related corporations have in the normal course of business entered into transactions with directors and/or their affiliated parties, being related parties and parties in which some of the directors are deemed to have an interest, with the directors having disclosed their interests in such transactions pursuant to Section 156 of the Companies Act, Chapter 50. Such transactions may comprise loans, deposits, provision of nominee and corporate advisory services, foreign exchange transactions, insurance transactions, property-related transactions, construction-related transactions, industrial-related transactions, consumer-related transactions, investing in real estate used for hospitality and/or hospitality-related purposes, purchase and sale of investments or investment products, property, industrial and consumer biodegradable and non-biodegradable products, goods including vehicles, parts and accessories and provision and receipt of after-sales services, hotel-related transactions, procurement services, information technology services, e-commerce-related transactions, management and consultancy services and/or other transactions carried out on normal commercial terms and in the normal course of business of the Company and/or its related corporations.

However, the directors have neither received nor become entitled to receive any benefit arising out of these transactions other than those which they may be entitled as customers, suppliers, directors and members of these corporations.

Except as disclosed above and in the accompanying financial statements, and except for remuneration and professional fees received from the related corporations, since the end of the last financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company and/or its related corporations with the director, or with a firm of which he is a member or with a company in which he has a substantial financial interest.

SHARE OPTIONS

By the Company

The City Developments Share Option Scheme 2001 (CDL Scheme), which was approved by shareholders of the Company on 30 January 2001, is administered by a committee comprising the following members (Scheme Committee):

Kwek Leng Joo (Chairman)
Foo See Juan

- (a) Under the terms of the CDL Scheme, the Scheme Committee may make offers of the grant of options to:
- (i) Group Employees and Parent Group Employees (both as defined in the CDL Scheme) which may be exercisable during an option exercise period commencing from the date that the option vests and expiring on the day preceding the tenth anniversary of its date of grant; and
 - (ii) Non-Executive Directors, Parent Group Non-Executive Directors and Associated Company Employees (all three as defined in the CDL Scheme) which may be exercisable during an option exercise period commencing from the date that the option vests and expiring on the day preceding the fifth anniversary of its date of grant.

Options granted under the CDL Scheme may have subscription prices that are, at the Scheme Committee's discretion, (i) Market Price Options; or (ii) Discount Price Options; or (iii) Incentive Price Options (all three as defined in the CDL Scheme).

The aggregate number of ordinary shares over which options may be granted under the CDL Scheme on any date, when added to the number of ordinary shares issued and issuable in respect of all options granted under the CDL Scheme, shall not exceed 8% of the total number of issued ordinary shares in the capital of the Company on the day preceding the relevant date of grant. The aggregate number of ordinary shares which may be offered by way of grant of options to Parent Group Employees and Parent Group Non-Executive Directors collectively under the CDL Scheme shall not exceed 20% of the total number of ordinary shares available under the CDL Scheme.

DIRECTORS' REPORT

SHARE OPTIONS (cont'd)

By the Company (cont'd)

- (b) No options have been granted since the commencement of the CDL Scheme.
- (c) There were no unissued shares of the Company under option as at the end of the financial year.
- (d) The CDL Scheme shall continue to be in force at the discretion of the CDL Scheme Committee for a maximum period of 10 years commencing from its adoption on 30 January 2001.

By Subsidiaries

Millennium & Copthorne Hotels plc (M&C)

The following share option schemes of M&C continue to be in operation:

- (i) Millennium & Copthorne Hotels plc 2003 Executive Share Option Scheme;
- (ii) Millennium & Copthorne Hotels Executive Share Option Scheme;
- (iii) Millennium & Copthorne Hotels Sharesave Schemes 1996 and 2006; and
- (iv) Millennium & Copthorne Hotels Long Term Incentive Plan

(i) *Millennium & Copthorne Hotels plc 2003 Executive Share Option Scheme*

(a) The Millennium & Copthorne Hotels plc 2003 Executive Share Option Scheme (M&C 2003 Scheme) was approved by the shareholders at the Annual General Meeting of M&C held on 21 May 2002. There are 2 parts of the M&C 2003 Scheme, namely the "Approved" part for which approval from the United Kingdom Inland Revenue has been obtained, and the "Unapproved" part which is not designed for the United Kingdom Inland Revenue approval and which is used primarily where employees have more than £30,000 worth of outstanding approved options or are not based in the United Kingdom. Except to the extent required to obtain the United Kingdom Inland Revenue approval, the Approved and Unapproved parts of the M&C 2003 Scheme are in all material aspects identical. The operation of the M&C 2003 Scheme is supervised by M&C's Remuneration Committee comprising The Viscount Thurso (Chairman), Christopher Keljik, Christopher Sneath, John Sclater and Charles Kirkwood (M&C 2003 Scheme Committee).

(b) Under the terms of the M&C 2003 Scheme,

- (i) All employees of M&C, its subsidiaries and joint ventures (including directors who are required to devote substantially the whole of their working time to the business of the M&C Group who are not within 6 months of contractual retirement ages) will be eligible to participate in the M&C 2003 Scheme.
- (ii) No option may be granted to an individual if it would cause the aggregate exercise price of options granted to him in any year under the M&C 2003 Scheme to exceed 200% of his basic salary, other than in exceptional circumstances (where the limit is 400% of basic salary).
- (iii) No payment will be required for the grant of an option. Acquisition price upon the exercise of an option will not be less than the higher of:
 - the average of the middle-market quotations of a share on the London Stock Exchange on the 3 dealing days immediately prior to grant date, provided that no such dealing day may fall prior to the date on which M&C last announced its results for any period; and
 - the nominal value of a share (unless the option is expressed to relate only to existing shares).

DIRECTORS' REPORT

SHARE OPTIONS (cont'd)

By Subsidiaries (cont'd)

Millennium & Copthorne Hotels plc (M&C) (cont'd)

(i) *Millennium & Copthorne Hotels plc 2003 Executive Share Option Scheme (cont'd)*

- (c) No options may be granted which would cause the number of shares issued or issuable pursuant to options granted in the previous 10 years under the M&C 2003 Scheme or under any other share option scheme, or issued in that period under any employee share scheme (other than an option scheme) to exceed 10% of M&C's issued ordinary share capital from time to time. Not more than 5% of M&C's issued ordinary share capital from time to time may relate to discretionary share schemes.
- (d) During the financial year under review, (i) no options were granted to subscribe for ordinary shares of £0.30 each in M&C; and (ii) 350,933 ordinary shares of £0.30 each in M&C were issued following the exercise of the subscription rights set out in the M&C 2003 Scheme.

As at the end of the financial year, there were 1,361,570 unissued shares under options pursuant to the M&C 2003 Scheme. Details of the options to subscribe for ordinary shares of £0.30 each in M&C are set out below:

DATE GRANTED	BALANCE AT BEGINNING OF YEAR	EXERCISED DURING THE YEAR	CANCELLED/ LAPSED/ FORFEITED DURING THE YEAR	BALANCE AT END OF YEAR	EXERCISE PRICE PER SHARE £	EXERCISE PERIOD
Part I						
10.03.2003	63,822	(23,255)	(1,292)	39,275	1.9350	10.03.2006 – 09.03.2013
16.03.2004	62,049	(10,284)	(1)	51,764	2.9167	16.03.2007 – 15.03.2014
24.03.2005	52,703	(7,529)	(7,529)	37,645	3.9842	24.03.2008 – 23.03.2015
Part II						
10.03.2003	1,126,129	(125,657)	(453,230)	547,242	1.9350	10.03.2006 – 09.03.2013
16.03.2004	594,720	(41,143)	(220,658)	332,919	2.9167	16.03.2007 – 15.03.2014
24.03.2005	676,248	(143,065)	(180,458)	352,725	3.9842	24.03.2008 – 23.03.2015
	<u>2,575,671</u>	<u>(350,933)</u>	<u>(863,168)</u>	<u>1,361,570</u>		

DIRECTORS' REPORT

SHARE OPTIONS (cont'd)

By Subsidiaries (cont'd)

Millennium & Copthorne Hotels plc (M&C) (cont'd)

(ii) Millennium & Copthorne Hotels Executive Share Option Scheme

- (a) The Millennium & Copthorne Hotels Executive Share Option Scheme (M&C 1996 Scheme) is divided into two parts, Part A which was approved by the United Kingdom Inland Revenue under Schedule 9 of the United Kingdom Income and Corporation Taxes Act 1988 on 12 April 1996 and Part B, which was an unapproved executive share option scheme designed for the United Kingdom (UK) and non-UK executives of M&C.
- (b) The M&C 1996 Scheme is administered by the M&C Remuneration Committee comprising The Viscount Thurso (Chairman), Christopher Keljik, Christopher Sneath, John Sclater and Charles Kirkwood (M&C 1996 Scheme Committee).
- (c) Under the terms of Part A of the M&C 1996 Scheme, the board may offer any full time director or employee of M&C and its subsidiaries (M&C Group) (other than anyone within two years of retirement, or anyone who has a material interest in a close company and is thereby rendered ineligible under Paragraph 8, Schedule 9 of the United Kingdom Income and Corporation Taxes Act 1988), to participate in Part A of the M&C 1996 Scheme.

A person is eligible to be granted an option under Part B if he is a director or employee of any member of the M&C Group which is required to devote the whole or substantially the whole of his working time to the service of any member of the M&C Group.

Where an option has been exercised under Part B, the board may elect to pay cash to the executive concerned instead of issuing ordinary shares.

- (d) No option shall be granted under the M&C 1996 Scheme in the period of 5 calendar years beginning with the year 1996 which would, at the time they are granted, cause the number of shares in M&C which shall have been or may be issued in pursuance of options granted in that period, or shall have been issued in that period otherwise than in pursuance of options, under the M&C 1996 Scheme or under any other employees' share option scheme adopted by M&C to exceed such number as represents 5% of the ordinary share capital of M&C in issue at that time.
- (e) No option shall be granted under the M&C 1996 Scheme in any year which would, at the time they are granted, cause the number of shares in M&C which shall have been or may be issued in pursuance of options granted in the period of 10 calendar years ending with that year, or have been issued in that period otherwise than in pursuance of options, under the M&C 1996 Scheme or under any other employees' share scheme adopted by M&C to exceed such number as represents 10% of the ordinary share capital of M&C in issue at that time.

DIRECTORS' REPORT

SHARE OPTIONS (cont'd)

By Subsidiaries (cont'd)

Millennium & Copthorne Hotels plc (M&C) (cont'd)

(ii) Millennium & Copthorne Hotels Executive Share Option Scheme (cont'd)

(f) The total subscription price payable for ordinary shares under options granted in any 10 year period (leaving out of account options which have been exercised) to any person under the M&C 1996 Scheme may not exceed four times the higher of the executive's total annual remuneration at that time and the total remuneration paid by the M&C Group to the executive in the preceding 12 months.

(g) During the financial year under review, (i) no options were granted to subscribe for ordinary shares of £0.30 each in M&C; and (ii) 245,288 ordinary shares of £0.30 each in M&C were issued following the exercise of the subscription rights set out in the M&C 1996 Scheme.

As at the end of the financial year, there were 179,365 unissued shares under options pursuant to the M&C 1996 Scheme. Details of the options to subscribe for ordinary shares of £0.30 each in M&C are set out below:

DATE GRANTED	BALANCE AT BEGINNING OF YEAR	EXERCISED DURING THE YEAR	CANCELLED/ LAPSED/ FORFEITED DURING THE YEAR	BALANCE AT END OF YEAR	EXERCISE PRICE PER SHARE £	EXERCISE PERIOD
Part A						
05.03.1998	6,509	–	–	6,509	4.6087	05.03.2001 – 04.03.2008
19.11.1999	7,526	(7,526)	–	–	3.9856	19.11.2002 – 18.11.2009
17.03.2000	8,955	–	(8,955)	–	3.3500	17.03.2003 – 16.03.2010
23.10.2000	7,594	(7,594)	–	–	3.9500	23.10.2003 – 22.10.2010
20.03.2001	48,272	(41,376)	(6,896)	–	4.3500	20.03.2004 – 19.03.2011
15.03.2002	26,356	(17,829)	–	8,527	3.2250	15.03.2005 – 14.03.2012
	<u>105,212</u>	<u>(74,325)</u>	<u>(15,851)</u>	<u>15,036</u>		
Part B						
05.03.1999	40,436	–	(40,436)	–	4.8321	05.03.2002 – 04.03.2006
19.11.1999	47,670	(47,670)	–	–	3.9856	19.11.2002 – 18.11.2006
17.03.2000	18,369	(10,414)	(7,955)	–	3.3500	17.03.2003 – 16.03.2007
23.10.2000	5,570	(5,570)	–	–	3.9500	23.10.2003 – 22.10.2007
14.03.2001	120,231	–	(50,867)	69,364	4.3250	14.03.2004 – 13.03.2008
20.03.2001	131,714	(74,190)	(51,500)	6,024	4.3500	20.03.2004 – 19.03.2008
15.03.2002	150,418	(33,119)	(28,358)	88,941	3.2250	15.03.2005 – 14.03.2009
	<u>514,408</u>	<u>(170,963)</u>	<u>(179,116)</u>	<u>164,329</u>		

DIRECTORS' REPORT

SHARE OPTIONS (cont'd)

By Subsidiaries (cont'd)

Millennium & Copthorne Hotels plc (M&C) (cont'd)

(iii) Millennium & Copthorne Hotels Sharesave Schemes 1996 and 2006

- (a) The Millennium & Copthorne Hotels Sharesave Schemes 1996 and 2006 (M&C Sharesave Schemes) are the United Kingdom Inland Revenue approved schemes under which the executive directors of M&C and the M&C Group employees are eligible to participate.
- (b) Under the terms of the M&C Sharesave Schemes, M&C Group employees were to enter into a 3-year or 5-year savings contract, with an option to purchase shares at a pre-determined exercise price on maturity of the savings contract. The first such scheme was introduced in 1996 with a life of ten years. A replacement scheme was approved by the shareholders at M&C's Annual General Meeting on 4 May 2006.
- (c) No payment is required for the grant of an option.
- (d) The options may be exercised upon maturity provided that the monies agreed under the savings contract are fully paid and the participant continues to hold office or employment with M&C. The M&C Sharesave Schemes provide that shares in M&C can be purchased at the option price up to the value of the accrued savings and interests in the event of retirement at normal retirement age, redundancy, injury, disability or by the employees' estate in the event of their death.
- (e) M&C may grant options up to the value of a savings contract at maturity. Participants cannot enter into contracts where their savings, in aggregate, would exceed £250 per month.
- (f) During the financial year under review, (i) 117,405 options were granted to subscribe for ordinary shares of £0.30 each in M&C; and (ii) 121,114 ordinary shares of £0.30 each in M&C were issued following the exercise of the subscription rights set out in the M&C Sharesave Schemes.

As at the end of the financial year, there were 363,098 unissued shares under options pursuant to the M&C Sharesave Schemes. Details of the options to subscribe for ordinary shares of £0.30 each in M&C are set out below:

DATE GRANTED	BALANCE AT BEGINNING OF YEAR	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	CANCELLED/ LAPSED/ FORFEITED DURING THE YEAR	BALANCE AT END OF YEAR	EXERCISE PRICE PER SHARE £	EXERCISE PERIOD
09.05.2000	4,134	–	–	(4,134)	–	3.10000	01.07.2005 – 31.12.2005
08.05.2001	22,161	–	(10,435)	(5,811)	5,915	3.13600	01.07.2006 – 31.12.2006
21.05.2002	10,341	–	–	(10,341)	–	2.92000	01.07.2005 – 31.12.2005
21.05.2002	21,074	–	–	(1,586)	19,488	2.92000	01.07.2007 – 31.12.2007
28.04.2003	122,244	–	(98,000)	(10,302)	13,942	1.50400	01.07.2006 – 31.12.2006
28.04.2003	109,417	–	(12,679)	(36,461)	60,277	1.50400	01.07.2008 – 31.12.2008
20.04.2004	49,363	–	–	(4,347)	45,016	2.34000	01.07.2007 – 31.12.2007
20.04.2004	28,499	–	–	(2,933)	25,566	2.34000	01.07.2009 – 31.12.2009
23.03.2005	67,407	–	–	(16,236)	51,171	3.08000	01.07.2008 – 31.12.2008
23.03.2005	39,479	–	–	(8,368)	31,111	3.08000	01.07.2010 – 31.12.2010
19.06.2006	–	73,728	–	(1,840)	71,888	3.25000	01.08.2009 – 31.01.2010
19.06.2006	–	43,677	–	(4,953)	38,724	3.25000	01.08.2011 – 31.01.2012
	<u>474,119</u>	<u>117,405</u>	<u>(121,114)</u>	<u>(107,312)</u>	<u>363,098</u>		

DIRECTORS' REPORT

SHARE OPTIONS (cont'd)

By Subsidiaries (cont'd)

Millennium & Copthorne Hotels plc (M&C) (cont'd)

(iv) Millennium & Copthorne Hotels plc Long Term Incentive Plan

The Millennium & Copthorne Hotels plc Long Term Incentive Plan (LTIP) was approved at the M&C Annual General Meeting held on 4 May 2006. Under the terms of the LTIP, M&C is permitted to make both Performance Share Awards and Deferred Share Bonus Awards to an employee (including an executive director) of M&C or its subsidiaries. The level of awards made under the terms of the LTIP are determined by M&C's Remuneration Committee.

Vesting of Performance Share Awards is subject to the achievement of stretching performance targets. Consistent with the performance measures for M&C's executive share options schemes, earnings per share (EPS) targets have been chosen so that participants are incentivised to deliver significant earnings growth which, in turn, should return substantial shareholder value.

The performance condition applying to Performance Share Awards require M&C's EPS to grow, in real terms, over a period of three consecutive financial years after award. Performance Share Awards will vest on the third anniversary of the award being made, subject to the EPS growth targets being met. Awards will not be subject to re-testing.

During the financial year under review, Performance Share Awards were made over 266,152 ordinary shares of £0.30 each in M&C. Details of the Performance Share Awards are set out below:

DATE OF AWARD	BALANCE AT BEGINNING OF YEAR	AWARDS AWARDED DURING THE YEAR	AWARDS VESTED DURING THE YEAR	BALANCE AT END OF YEAR	EXERCISE PERIOD
01.09.2006	–	266,152	–	266,152	01.09.2009 – 31.08.2010

City e-Solutions Limited (CES)

- (a) The City e-Solutions Limited Share Option Scheme (CES Scheme) which was adopted by the shareholders of CES at the Annual General Meeting of CES held on 27 April 2005, is administered by a scheme committee to be set up (CES Scheme Committee).
- (b) The subscription price of the CES shares under the CES Scheme shall be a price determined by the CES Scheme Committee at its absolute discretion which may require the achievement of performance targets by the Grantee as specified by the CES Scheme Committee. The subscription price shall not be less than the highest of:
- the official closing price of the CES shares as stated in the daily quotations sheet of the Hong Kong Stock Exchange on the Offer Date;
 - the average of the official closing price of the CES shares as stated in the daily quotations sheets of the Hong Kong Stock Exchange for the five business days immediately preceding the Offer Date; and
 - the nominal value of a CES share.

DIRECTORS' REPORT

SHARE OPTIONS (cont'd)

By Subsidiaries (cont'd)

City e-Solutions Limited (CES) (cont'd)

(c) During the financial year under review, (i) no options were granted to subscribe for ordinary shares of HK\$1.00 each in CES; and (ii) no ordinary shares of HK\$1.00 each in CES were issued pursuant to the CES Scheme.

As at the end of the financial year, there were no unissued shares under options pursuant to the CES Scheme.

The options granted by the subsidiaries of the Company, namely, M&C and CES, do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other company.

ABILITY TO MEET OBLIGATIONS

No contingent liability or other liability of the Group or of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

OTHER CIRCUMSTANCES AFFECTING THE FINANCIAL STATEMENTS

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group or of the Company misleading.

UNUSUAL ITEMS

In the opinion of the directors, no item, transaction or event of a material and unusual nature has substantially affected the results of the operations of the Group or of the Company during the financial year.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

AUDIT COMMITTEE

The Audit Committee comprises 4 non-executive members of the Board, all of whom are independent. The members of the Audit Committee at the date of this report are:

Chee Keng Soon (Chairman)
Foo See Juan
Han Vo-Ta
Tang See Chim

The Audit Committee met 8 times during the financial year ended 31 December 2006 and performs the functions set out in Section 201B(5) of the Companies Act, Chapter 50. In performing its functions, the Audit Committee reviewed the overall scope of both internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Group's system of internal controls. The Audit Committee also reviewed the consolidated financial statements and the financial statements of the Company for the financial year ended 31 December 2006 as well as the auditors' reports thereon.

The Audit Committee has recommended to the Board of Directors that the auditors, KPMG, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

DIRECTORS' REPORT

AUDITORS

The auditors, KPMG, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

KWEK LENG BENG

Executive Chairman

KWEK LENG JOO

Managing Director

Singapore

9 March 2007