

## Deputy Chairman & Chief Executive Officer's Report

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Financial year 2005 was a successful year that we achieved a 169% growth in earnings. It was an achievement of the long-term strategies, which we formulated three years ago. We confidently believe it is just the beginning of our long-term growth with more years ahead.

We are determined to build our future growth based on two principal strategies. The first one is to develop affordable quality townhouses and low-rise condominiums in major cities in the Mainland with the growing middle class as our primary target customers. Our second strategy is to develop and operate 3-4 star hotels in Hong Kong, Macau and Greater China so as to capitalize on the increasing number of the Mainland's travelers and business travelers in the region.

In the Mainland, the Central Government recently imposes austerity measures, which reaffirmed last year's announcement and her commitments, to prevent the property market from overheating. Although the austerity measures create uncertainties over the property market, we believe such measures can enhance the healthy growth of the market in the long run.

Given the growth of the middle class in the Mainland, their demand for residential housing will continue to increase so long as the property prices are within their reach. Hence, we are optimistic about the future sales of our townhouses and condominiums, which are not only affordable but also with improving quality. Furthermore, we will look for new property development projects in the Mainland despite the short-term weakened market sentiment.

With our continuous assessment of the market and review of our operations, we fine-tuned our hotel strategy by adding more 4-star hotels to our portfolio. This change in our hotel mix is justified by the increasing number of business travelers, especially from the small to medium sized overseas companies.

Shortly after the close of the financial year 2005, we opened our second 4-star hotel, Central Park Hotel, and another 3-star hotel, Dorsett Olympic Hotel, in Hong Kong. Over the next six months, three additional hotels, namely Cosmo Hotel, Lan Kwai Fong Hotel and Dorsett Tsuen Wan Hotel, will also commence operations. After the opening of these three hotels, we will have close to 2,000 hotel rooms in operations. This hotel portfolio will provide a steady recurring income stream to the Company.

It has been getting more and more difficult to find new hotel projects with a double-digit return in Hong Kong after the announcement of the Closer Economic Participation Arrangement. However, with our committed effort and hard work, we successfully acquired two office buildings for hotel conversion, namely Central Park Hotel and Cosmo Hotel, during the year. Further, we agreed to purchase an industrial site for hotel development in early June. This site has obtained the Town Planning Board's approval for hotel conversion. We will proactively seek for hotel investment opportunities to expand our recurring income base and to enhance shareholder's value.

Since we announced our Macau project in late 2003, Macau has become a popular place for investors. It is our view that Macau will become a Las Vegas type of gaming and entertainment center in Asia with substantial growth potential. According to some gaming industry practitioners, the gaming revenue of Macau is expected to surpass Las Vegas' in near future.

The finalization of our agreement with Venetian Group is under way and our development plan is in the final stage of refinement. Subject to the final approval of the Macau government, our present development plan will have a total of five hotels with more than 3,000 rooms, a shopping and entertainment complex, a residential development and a casino/showroom shell which we will lease to Venetian Group. We expect the construction work to commence around September this year. Phase I of our development is scheduled to open in the second half of 2007.

In order to put our resources in a more effective and efficient use, we will continue to streamline our businesses by disposing non-core businesses and overseas assets.

**David Chiu**

*Deputy Chairman & Chief Executive Officer*

13th July 2005