

Review of Operations

Property Development

The status of our existing projects under development is shown below.

Group's* Major Projects Under Development

Location	Usage	Group's Interest	Approximate Total Gross Floor Area	Status	Expected Date of Completion
		(%)	(sq ft)		
MACAU					
La Baie Du Noble The Orient Pearl District Macau	Residential and Commercial	80	1,603,000	Superstructure works in progress	First half 2006
HONG KONG					
Mount Davis 33 No. 33 Ka Wai Man Road Kennedy Town Hong Kong	Residential	Joint Venture with the Urban Renewal Authority	78,000	Superstructure works in progress	First half 2006
No. 31 Robinson Road Mid-Levels Hong Kong	Residential	100	128,000	Superstructure works in progress	2007
No. 35 Clear Water Bay Road Ngau Chi Wan Kowloon	Residential and Commercial	100	2,163,000	Site formation works in progress	2008/2009
TOTAL			3,972,000		

Note: * Excluding those of Polytec Asset

La Baie Du Noble, The Orient Pearl District, Macau

An 80% interest in this luxury residential and commercial property development project was acquired by the Group in 2004. The development, comprising five residential blocks erected over a 3-storey commercial podium, commands a panoramic sea view.



Our Executive Director Mr Lai Ka Fai (middle) accepted the "Best Under A Billion" Award from Mr Steve Forbes, President, CEO and Editor-in-Chief of Forbes (left) and Mr Darrell Metzger, CEO, Sentosa Leisure Group, Host Sponsor (right).

Mount Davis 33, 33 Ka Wai Man Road, Kennedy Town, Hong Kong

Situated at the Western Mid-levels, this joint-venture project with the Urban Renewal Authority offers top-quality residential units with full clubhouse facilities and a lush landscaped environment. At Mount Davis 33, every unit owns a panoramic seaview balcony, overlooking a magnificent view of Tsim Sha Tsui and Tsing Ma Bridge. This property project has achieved the provisional rating of Platinum Standard of The Hong Kong Building Environmental Assessment Method (HK-BEAM) Society, which assesses new building premises for their environmental protection and user-oriented design.

31 Robinson Road, Mid-Levels, Hong Kong

The deluxe residential tower being constructed on this prime location will provide residents with comprehensive services and recreational facilities including a swimming pool and a luxury clubhouse.



Mount Davis 33 has achieved the provisional rating of Platinum Standard of the HK-BEAM Society.

35 Clear Water Bay Road, Ngau Chi Wan, Kowloon

The site will be built up into a comprehensive residential and commercial complex with retail and community facilities.

Property Investment

The Group's existing investment properties, excluding that of our newly acquired subsidiary Polytec Asset, amounted to an aggregate gross floor area of 649,000 sq ft as at 31 December 2005, with 44% and 54% in office and retail space respectively.

The Group's 2005 gross rental income generated by its property investment portfolio amounted to HK\$212 million compared to the previous year rental income of HK\$181 million, excluding a one-off termination fee of HK\$26 million from a major retail tenancy. Indeed, improvement in the local economy and consumer sentiment in 2005 has boosted the overall demand for Grade A office and retail space.

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The Group's rental income from its office portfolio rose to HK\$53 million in 2005 from HK\$44 million in the previous year. This was largely due to a substantial increase in renewal rates for major office tenancies at Pioneer Center, with total rental from offices rising 21% in 2005 from the previous year. Indeed, offices at the Pioneer Centre were close to fully let at the end of 2005 compared to an average occupancy rate of 96.7% in 2004.

The Group's total rental income from its retail property portfolio rose to HK\$143 million in 2005 from the previous year's HK\$120 million which excludes the previously mentioned termination fee. Total retail rental income from Pioneer Centre, the Group's flagship commercial property, amounted to HK\$112 million in 2005.

Property Management

The Group and its associated companies together manage over 8.5 million sq ft of residential and commercial premises as at the end of 2005 compared to 7.7 million in the previous year.

Financing and Investments

The 2005 performance of our mortgage financing and investment business was encouraging. As at 31 December 2005, the Group invested a total of HK\$308 million in financial investments, of which HK\$65 million was in long term investment and HK\$243 million in short term investment. For the year ended 31 December 2005, financing and investment activities combined contributed HK\$124 million to the Group's operating profits, an increase of 58% over the previous year.

Polytec Asset Holdings Limited (56.84% owned by the Group)

For the year ended 31 December 2005, Polytec Asset's net profit amounted to HK\$477 million. Excluding property revaluations net of deferred tax, underlying net profit rose to HK\$57 million in 2005, an increase of 234% over the previous 13 months. The increase in profit was mainly driven by the sale of certain properties at China Plaza during the year. Polytec Asset contributed a total of HK\$5.5 million to the Group's 2005 profit as the company was only acquired in November 2005.

Property Development: In Macau, Polytec Asset's 58% owned residential and commercial project in Taipa has been under site formation works since the beginning of February this year. This residential and commercial complex, covering an aggregate gross floor area of approximately 386,000 sq ft, includes two buildings with a total of 294 residential units and a number of retail shops on the ground floor. It has received encouraging enquiries regarding this project from potential buyers.



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In Hong Kong, Polytec Asset has two small-scale joint-venture residential projects under development. The first one is a 60% owned joint-venture project, situated in Shun Fung Wai, Tuen Mun, comprising of 15 low-rise houses with an aggregate gross floor area of approximately 31,000 sq ft. The second one is a 48% owned

joint-venture project, located in Kau To Shan, Shatin, consisting of 6 low-rise houses with an aggregate gross floor area of approximately 13,000 sq ft. The construction works of the two development projects are progressing smoothly and they are expected to be put on sale after their completion this year.

Polytec Asset's Projects Under Development

Location	Usage	Group's Interest	Approximate Total Gross Floor Area	Status	Expected Date of Completion
		(%)	(sq ft)		
MACAU					
Pacifica Garden The Taipa District Macau	Residential and Commercial	33	386,000	Site formation works in progress	2008
HONG KONG					
Tuen Mun New Territories Hong Kong	Residential	34	31,000	Superstructure works in progress	2006
Kau To Shan Shatin New Territories Hong Kong	Residential	27	13,000	Superstructure works in progress	2006
TOTAL			430,000		

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Property Investment: The renovation program of the retail portion of Macau Square, Polytec Asset's 50% owned commercial property situated at Av. Do Infante D. Henrique in Macau with total retail space covering gross floor area of approximately 90,000 sq ft, has just been completed. It has received an increasing number of enquiries regarding the retail space from potential tenants. The renovation of the office portion, covering gross floor area of approximately 303,000 sq ft, will be commenced soon and the soft marketing has been launched. This commercial property is expected to become one of the main sources of Polytec Asset's rental income in 2007 and beyond.

The renovation work of Va long, a commercial building which is situated at Praca da Amizade with an aggregate gross floor area of 20,000 sq ft, will be started soon and is expected to be completed in the second half of this year.

Other Businesses

Other businesses had made relatively insignificant contributions to the Group's profit in 2005. Among our other businesses, a 20% owned footwear wholesale and retail business of an associated company, Southern Success Corporation, continued to perform well. This associated company has distributed a total dividend of HK\$2.2 million to the Group for 2005.

Human Resources and Remuneration Policy

The Group (including Polytec Asset which became a subsidiary of the Group in November 2005, but excluding all associate companies) employed a total of about 250 employees at the end of 2005 (2004: 155 employees). Employee remuneration amounted to approximately HK\$52 million in 2005 (2004: HK\$38 million). The salary levels of the Group's employees are reviewed regularly so that they can be kept at a competitive level. Employees are rewarded based on their responsibilities and performance within the Group's salary and bonus system. The Group operates a share option scheme to provide incentives and rewards to eligible persons, including Directors and employees. Other employee benefits include medical insurance, retirement schemes, in-house training courses as well as subsidies for external education and training programmes.

The basis of determining the emoluments payable to the Directors of the Company are provided in the Corporate Governance Report section in this Annual Report.