
CHIEF EXECUTIVE OFFICER'S REPORT

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The financial year of 2004 was an important year to the Group. This is not because we made a turnaround in our profitability. More important, we have defined our long-term goals and formulated strategies to achieve such goals.

After the property bubble burst in 1997, we understood that the Hong Kong property market was no longer as lucrative as before. Hence, we had been exploring different investment opportunities to sustain our profitability and to enhance our shareholders' value.

After experiencing different investment strategies over the past few years, we are confident in our future growth with commitments in two principal businesses. The first one is to develop affordable quality townhouses and low-rise condominiums in major cities in China with middle class as our primary targeted customers. Our second commitment is to develop and operate 3-star hotels in Hong Kong and Greater China so as to capitalize the increasing number of mainland's travelers in the area.

We target at the middle class market because it represents the majority of demand for housing in China and it is an end-user market. We believe this market is more resilient against substantial fluctuations in prices than the high-end market which is mostly supported by investors.

Although austerity measures create uncertainties over the property market in China, we believe the measures are good for the market in longer term and prevent it from overheating. Furthermore, the slowdown of the market may create investment opportunities to us to assessing those under-funded property development projects.

Aiming to repeat our success of California Garden in Shanghai, we have been seeking other investment opportunities in China. In late 2003, we signed a memorandum of understanding with Chengdu government to develop a residential community with a land area of 1,200mu or 800,000square meters. The project will be consisted of a number of phases with an overall development period of six years. Due to the introduction of austerity measures, our negotiations with the local government have been taken longer than expected. However, we are confident that we can finalize all the necessary authority approvals within the next few months.

For hotel development, our focus will be on 3-star hotels despite the fact that our Cosmopolitan Hotel will be regarded as a 4-star hotel given its prime location and the high quality of rooms. We believe the 3-star hotels in Hong Kong will continue to benefit from the increasing number of mainland's travelers in years to come.

With the aim to diversify our hotel portfolio, we are also seeking hotel investments in the nearby areas. Our first targeted city is Macao. Like Hong Kong, we believe Macao will also benefit from the relaxation of tourist visa approvals for the visitors from China. In addition, the open of casino sector not only attracts new foreign investors but also travelers given more casinos will be built.

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In the beginning of 2004, we signed a memorandum of understanding with Venetian Group from Las Vegas, USA, to develop and operate a 3-4 star hotel with a total capacity of 3,000 rooms in Cotai, Macao. The first phase of the development will consist of 1,500 rooms. The construction work is expected to commence construction in early 2005 and to complete before 2007. We believe this development will enhance our future growth.

Over the last few years, we have streamlined our businesses by disposing non-core businesses and overseas assets. In addition to improving our operating efficiency, we believe such action can provide a clear focus on strategic direction of what we would like to achieve and to invest in the future. Subject to the market conditions, we will continue to dispose the remaining non-core and overseas assets or investments. In addition, going forward we have no intentions to further pursue property development or investment property businesses in countries out of Hong Kong and Greater China.

OBJECTIVES FOR THE FINANCIAL YEAR 2005

Here are the objectives that we aim to achieve in the financial year 2005

- To ensure the construction work of our property development projects completed on schedule and be available for sale as planned.
- To seek for new investment opportunities of townhouses and low-rise condominiums in China.
- To improve and maximize our operating efficiency through disposing non-core and overseas assets.
- To strengthen our balance sheet management and to enhance our shareholders' returns.
- To build and retain a strong professional management team.
- To further improve our corporate governance.
- To further strengthen our relations with the investment community, the media and the community.

David Chiu

Deputy Chairman and Chief Executive Officer

15th July 2004