



▶ chairman's statement

On behalf of the Board of Directors, I am pleased to present the Group's results for the financial year ended 31 December 2005 ("FY2005").

The Group, through its 85% subsidiary, SWAN Holdings Limited Group ("SWAN"), has most of its activities in the United States. The hospitality industry in the US has remained robust with continued strong rebound in demand compared over the past few years. Many of our client hotels are performing well with their revenues and operating profits for 2005 exceeding prior year. This improvement in business environment has benefited SWAN's hotel management business unit, Richfield, as its fee income is aligned to revenue and profits of its hotel customers.

In the year under review, the Group recorded a turnover of HK\$84.5 million comprising mainly revenue contribution of HK\$64.1 million from SWAN and investment related income of HK\$20.4 million. The Group achieved growth of 17.1% in its turnover in 2005 over 2004 mainly due to higher interests received and fee income from SWAN.

The Group's total investment income increased by 110.0% from previous year to HK\$20.9 million from HK\$9.9 million. In line with the higher prevailing interest rates during the year under review, interest income increased to HK\$15.4 million, up 156.1% from HK\$6.0 million received in the previous year. On the other hand, the Company recorded a net other expense of

HK\$11.8 million, a decline of HK\$37.7 million, compared to net other income of HK\$25.9 million recorded in the previous year. This decline is mainly attributed to unrealized losses arising from remeasuring the Group's investment securities at fair value as at financial year end as well as unfavourable exchange translation losses.

For 2005 as a whole, the Group recorded a net profit attributable to its equity shareholders of the Company of HK\$5.4 million, representing a decline of 79.7% from the previous year's of HK\$26.5 million.

SWAN continued to focus its business development efforts on Richfield (hotel management services) and Sceptre (electronic reservation and revenue management services) in 2005. During the year in review, Richfield was successful in signing several new contracts to manage upscale larger hotels that will generate higher annual fees. As announced on 8 August 2005, the 14 hotels in US owned by Millennium & Copthorne Hotels plc ("M&C"), ceased procuring hotel reservation services from Sceptre in 4th quarter of 2005. M&C is a subsidiary of City Developments Limited, a substantial shareholder of the Company. Excluding the 14 M&C hotels, Sceptre as at year end is providing services to more than 150 properties. Sceptre will

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be stepping up its business development efforts to replace this loss of revenue stream.

Basic earnings per share for the year under review was HK1.41 cents calculated on 383,125,524 ordinary shares in issue during the year. The Group's Net Tangible Assets (net assets less intangible assets and minority interests) backing per share as at 31 December 2005 decreased marginally to HK\$1.54 from HK\$1.55 as at the end of the previous financial year end. The Board proposed a final dividend of HK3 cents per share for the year under review.

PROSPECTS

Despite the uncertainty over the price of crude oil and the pace of interest rate increases, the United States economy is expected to continue to grow steadily in 2006. Consequently, the hospitality industry in the US is projected to record another year of healthy growth in 2006. Therefore, SWAN's business units should benefit from the improving economy and industry in the coming year. We will continue to adopt a prudent approach in managing the businesses by ensuring costs are kept in line with the level of business activities. Richfield is working on many potential contracts and is optimistic of converting some of these into multi-year contracts in 2006.

With the retention of our significant cash resources, the Group will be able to capitalize on any good investment opportunities that arise in 2006. We intend to be more active in evaluating opportunities to take advantage of the current favourable global economic environment. Barring unforeseen circumstances, the Group's performance in respect of its current hospitality related operations should remain profitable in 2006.

On behalf of the Board of Directors, I would like to thank our customers, business partners, shareholders, management and staff for their continued support during this past year.

Kwek Leng Beng
Chairman
23 February 2006