Chairman's Statement

Group Results and Dividends

The Group's profit attributable to shareholders for the year ended 31 December 2005 amounted to HK$1,059 million. Excluding investment property revaluation gains net of deferred tax of HK$421 million, underlying net profit rose 111% to HK$638 million. Underlying earnings per share rose to HK$1.13, representing an increase of 109% over 2004.

It should be noted that a number of new accounting standards which became effective on 1 January 2005 require restatement in the accounts of the Group's previously reported results.

As a luxury trendsetter development in the Western Mid-Levels, Mount Davis 33 is at the international forefront in its user-oriented design.

The Board of Directors has recommended the payment of a final dividend of HK$0.35 per share for 2005, an increase of 40% over 2004. Together with the interim dividend of HK$0.10, the full year dividend for 2005 will amount to HK$0.45 per share, representing an increase of 41% over the previous year.

The final dividend will be payable on 9 May 2006 to shareholders registered as at 8 May 2006.

Business Review

The record net profit achieved in 2005 has come from a broad-based improvement across our core property business which has benefited from strong economic growth and favourable sentiment in the property markets in Hong Kong and Macau. The main contributions to the Group's 2005 profit were two residential development projects in Hong Kong and Macau, the sales of which produced a combined profit of HK$401 million. Other Group's businesses have also performed well.

Major Acquisitions

The Group provided investors with the opportunities to participate in the economies of Hong Kong, Macau, and increasingly the Mainland China. To further expand to Macau and the Mainland China, two major acquisitions were made in 2005.

In April 2005, through an 85% owned subsidiary, the Group entered into an agreement to acquire a 70.3% stake in

Shenzhen Properties & Resources Development (Group) Limited ("Shenzhen Properties") for a cash consideration of RMB459 million. Shenzhen Properties, indirectly owned by the Shenzhen Municipal Government, is an enterprise listed on the Shenzhen Stock Exchange and principally engaged in real estate development, investment and property management in the PRC. The acquisition of Shenzhen Properties was approved by the shareholders of the Company at an extraordinary general meeting on 20 July 2005. Subsequently, the Group made a share segregation proposal to the A-share shareholders of Shenzhen Properties in accordance with the relevant reform initiated by the China Securities Regulatory Commission ("CSRC"). The proposal was approved by the A-share shareholders of Shenzhen Properties on 13 January 2006. The Group will hold an effective 59.76% stake in Shenzhen Properties if the CSRC approves its general offer waiver application. If its waiver application is not granted, the Group may have to initiate a general offer to the A-share and B-share shareholders. Details of the acquisition has been stated in a circular issued by the Company on 30 June 2005.

In October 2005, the Company entered into an agreement to acquire an aggregate interest of approximately 56.84% in the existing issued shares of Polytec Asset Holdings Limited ("Polytec Asset") and all the outstanding partly paid non-voting convertible redeemable preference shares ("CPS") of Polytec Asset for a total consideration of HK$826 million. Polytec Asset is a property investment, development

The Company is honoured to be selected by Forbes Asia as one of the 200 "Best Under A Billion" companies in 2005.

and trading company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 208) and the majority of its property development and investment portfolio is in Macau. The whole acquisition process was completed on 24 November 2005. Assuming full conversion of the CPS, the Group has an effective interest of Polytec Asset of 64.15%. As we only completed the whole acquisition process of Polytec Asset in late November, its contribution to the Group's 2005 profit was negligible. The full impact of the Polytec Asset acquisition will be reflected in the Group's 2006 accounts.

Property Sales

The Group's property sales rose to HK$531 million in 2005, an increase of 80% over 2004. The substantial increase in sales was primarily due to the recognition of a portion of the cash distribution from the Group's 80% interest in La Baie Du Noble, a residential and commercial property development project in

Macau, and the sale of a majority of the 68 residential units of Padek Palace at No.377 Prince Edward Road West in Hong Kong.

Property Development

La Baie Du Noble, covering an aggregate gross floor area of approximately 1,603,000 sq ft, is close to completion. It has been well received by the market since the launch of the pre-sale. Except for those duplex apartments, nearly all residential units have been sold. This is one of the most prestigious residential and commercial properties in Macau and its contemporary designs and superior finishes have set new high standards for residential developments in the town. We intend to release the duplex units to the market in the second half of this year.

The residential project at No. 33 Ka Wai Man Road, named as Mount Davis 33, is near completion. This luxury residential property is located above the western seashore of Hong Kong Island and is a joint-venture residential development project with the Urban Renewal Authority. It offers a total of 89 units, with a gross floor area of approximately 78,000 sq ft and a high quality private clubhouse. We will release some units to the market shortly. With a limited supply of quality residential units on Hong Kong Island, we expect this project to be well received by the market.

The Group's development at 31 Robinson Road, Mid-Levels, Hong Kong, of 84 luxury residential units with a gross floor area of approximately 128,000 sq ft, is expected to be completed in 2007.

The Group's important residential and commercial development project at 35 Clear Water Bay Road, Ngau Chi Wan, with an estimated gross floor area of approximately 2,163,000 sq ft, is currently under site formation works. The newly revised development plan has been approved by the Town Planning Board.

During 2005, the Group acquired certain properties, with a total gross floor area of approximately 60,000 sq ft, at Belcher's Street on Hong Kong Island. These properties will be redeveloped in the near future.

Property Investment

The Group's gross rental income for 2005 from its property investment portfolio amounted to HK$212 million. Excluding a one-off termination fee from a retail tenancy in 2004, the underlying gross rental income rose 17% in 2005 over the previous year. The improvement was broad-based, with the underlying rental income from office and retail properties rising 20% and 19% respectively.

The Group has reached an agreement with MTR Corporation to construct a subway connecting the MTR Prince Edward Station and the basement of Pioneer Centre and the project will commence soon. After completion, it will provide greater convenience to visitors and people living in the vicinity.

Chairman's Statement

Prospects

The Group has capitalized on the experience of the new management in property business and a series of development projects injected by the parent company since the takeover by the Polytec Group in early 2002. As a result, the Group's net profit, excluding revaluation gains, has grown at an annual rate of 60%, with underlying net profit rising from HK$156 million in 2002 to HK$638 million in 2005.

At the start of 2004, we set a 5-year earnings target for the Group, aiming to deliver an annual growth rate of 20% in earnings per share during the period of 2004-2008 or 149% over the period. We have accomplished the goal in two years rather than five, with underlying earnings per share growing 169% over the period.

Looking forward, while we have achieved our 5-year goal much earlier than we had targeted, barring unforeseen circumstances, we are confident that the Group's earnings will continue to grow at a robust rate in 2006 and 2007.

Assuming completion of the acquisition of a controlling stake in Shenzhen Properties, which is still pending final approval from the CSRC, the Group will pursue a three-tier development strategy, with an exposure in the three markets of the Greater China region. Polytec Asset will become the Group's property development and investment flagship in the Macau market while Shenzhen Properties will become the property investment and development platform of the Group in the Mainland China. The Company will continue to concentrate on its activities in Hong Kong and as a holding company for the Group's interests in Macau and China. This will allow the three listed companies of the Group to maintain strategic focus on their respective markets and set a platform for the Group to readily access the best investment opportunities in three markets, providing greater investment flexibility.

Management will continue to focus on ensuring the Group maintains dynamic earnings growth in the long term, thus delivering the best return to our shareholders.

Appreciation

The Company is honored to be selected by Forbes Asia as one of the 200 "Best Under A Billion" companies in 2005. I would like to share this honor with my fellow directors and all staff. Indeed, without their efforts, we would not have had such an achievement. The reward also reminds us to continue to work hard for the benefit of the Company.

Or Wai Sheun
Chairman
Hong Kong, 30 March 2006