

Management Discussion and Analysis

BUSINESS REVIEW

The Group's profit improved substantially in 2005. Indeed, our core property business continued to benefit from strong economic growth and favourable sentiment in the property market in Macau.

The main source of the Group's 2005 income came from the sale of certain properties at China Plaza in Macau, with a realized profit of HK\$40 million and representing 67% of the Group's segment profit in 2005. We intend to dispose of the rest of units at China Plaza gradually.

Property Development

In Macau, the Group'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, with an attributable gross floor area of approximately 35,900 square metres, comprises two buildings with a total of 294 residential units and a number of retail shops on the ground floor. We have received encouraging enquiries from potential buyers regarding the project.

In Hong Kong, the Group 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 2,900 square metres. 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 1,200 square metres. The construction work of two development projects is progressing smoothly and they are expected to be put on sale after the completion this year.

Property Investment

While the Group's two major investment properties in Macau, The Macau Square and Va long, have generated insignificant rental income during 2005 as they have both been under renovations, they are expected to start generating rental income for the Group this year onwards.

The renovation program of the retail portion of The Macau Square, the Group's 50% owned commercial property situated at Av. Do Infante D. Henrique in Macau with total retail spaces covering gross floor area of approximately 8,400 square metres, has just been completed. We have been receiving an increasing number of enquiries regarding the retail space from potential tenants. We will soon start the renovation of the office portion, covering gross floor area of

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approximately 28,000 square metres, and the soft marketing has been launched. This commercial property is expected to become one of the main sources of the Group's gross 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 1,900 square metres, will be started soon and is expected to be completed in the second half of this year.

Ice and Cold Storage

For the year ended 31 December 2005, the Group's ice manufacturing and cold storage business recorded an operating profit of HK\$13 million. As we completed the acquisition of the Hong Kong Ice & Cold Storage Company Limited in late 2004, the impact of the acquisition was only fully reflected in the Group's 2005 financial statements. We have installed a new high quality edible ice manufacturing system during the year and expect our market share in this sector to increase.

Investment

During 2005, investment activities contributed HK\$7 million to the Group's operating profit. We expect the activities in this area will continue to contribute to the Group's profit under our prudent management.

FINANCIAL REVIEW

As at 31 December 2005, the Group had liquid assets of HK\$130 million, which comprised cash and bank balances of HK\$76 million and other liquid assets of HK\$54 million. The Group's gearing ratio, expressed as a percentage of its bank borrowings over the equity attributable to equity holders of the Company at 31 December 2005 reduced to 8.0% from 16.2% at 31 December 2004. The bank borrowings of the Group as at 31 December 2005 were repayable over 5 years from the date of the inception of the loans by monthly instalments, denominated in Hong Kong dollars and bearing interest at the prevailing market rates. During the year under review, the Group's liquidity and financial resources positions were further improved.

As at 31 December 2005, certain assets of the Group with an aggregate net book value of approximately HK\$228 million were pledged to secure credit facilities granted to the Group.