

The tourism and hotel market in Hong Kong continued its growth in 2005. The property rental market also performed strongly during the year. The Group recorded a turnover of HK\$526.8 million in 2005, an increase of 18.4 per cent compared with 2004. Group profit after taxation for the year ended 31st December, 2005 improved to HK\$517.1 million from HK\$371.7 million (as restated) in 2004. Earnings per share were HK\$1.64 compared to HK\$1.18 per share (as restated) in 2004.

To comply with the new accounting standards effective 1st January, 2005, the Group has adopted certain new accounting policies which have a significant impact on the Group's financial statements as detailed in Note 8 to the Accounts.

HOTEL OPERATIONS

Tourist arrivals in Hong Kong in 2005 reached 23.4 million, representing a year-on-year growth of 7.1 per cent. Average room occupancy at the Marco Polo Hongkong Hotel was maintained at 87 per cent during 2005, while the average room rate showed a 19 per cent increase compared with 2004.

COMMERCIAL PROPERTY

The Group's commercial area in the Marco Polo Hongkong Hotel reported solid rental revenue growth in 2005, arising from rising rental rates and an enlarged retail area following the completion of the second phase of the retail space extension in October 2005. The Group also acquired some retail units at Star House, Tsimshatsui, for a consideration (including relevant transaction costs) of HK\$309.2 million in November 2005 to enhance its investment income base.

PROPERTY DEVELOPMENT PROJECTS

Superstructure work of the 60 Victoria Road residential development (total of 73 units) in Kennedy Town is scheduled for completion in August 2006. Pre-selling was launched in October 2005.

As for Sorrento (a MTRC joint-venture project above the Kowloon Station), in which the Group has a 20 per cent interest, cumulative sales reached over 99 per cent of all units as at 31st December, 2005.

PROSPECTS

The near term outlook for the tourism and hotel industry in Hong Kong remains positive despite the weaker than expected impact of the opening of Disneyland on hotel room demand. The hotel manager will continue to maximise the profitability of the Group's hotel amid intensified competition in the marketplace in 2006.

Rental revenues are expected to improve further following the acquisition of the Star House retail units and the completion of the second phase of the hotel's retail extension project.

Gonzaga W. J. Li

Chairman

Hong Kong, 8th March, 2006