

CHAIRMAN'S STATEMENT

PROFIT FOR THE YEAR

I am pleased to report that the Group has achieved a profit increase of about 12.7% for the year ended 31st December 2005. The profit attributable to equity holders of the Company for 2005 was HK\$266.5 million as compared to the restated HK\$236.5 million for 2004.

These results reflect the adoption of new Hong Kong Financial Reporting Standards effective after 1st January 2005. After adjusting for the impact of adopting Hong Kong Accounting Standard ("HKAS") 40 and Interpretation 21 on investment properties and income taxes, HKAS 17 on amortisation for leasehold land, and HKAS 23 on borrowing costs, the underlying profit after taxation was around HK\$51.5 million, and the corresponding figure for 2004 was HK\$54.6 million.

DIVIDEND

Your Directors have resolved to recommend a final dividend of HK 8 cents (2004: HK 6 cents) per ordinary share.

BUSINESS REVIEW

The principal activities of the Group remain to be property investment.

In Hong Kong, the rental income increased 10.9% to HK\$120.1 million on a better renewal rate in all sectors. However, the lack of gain from property disposal together with the reduction in dividend contribution from The Yangtze Ventures Limited in 2005, caused a drop in the underlying contribution from Hong Kong operation.

The property occupancy rates of Montgomery Plaza in the US raised to 98.5% as at the year end of 2005 and the average office rent per square feet stabilised at around US\$37 on lease renewal. The rental income from Montgomery Plaza slightly increased by 2.2% to HK\$50.3 million as compared to last year. Benefited from the decrease in interest expenses on a rearrangement of the loan financing in the US by the end of year 2004, the contribution from US operation increased.

While the hotel development project of 43 Heung Yip Road was pending for the land premium to be agreed with the Lands Department, the final phase development of Floral Villas, Tso Wo Hang, Sai Kung, was started in December 2005. Three luxury seaview houses will be built and are expected to be completed by the end of 2006. Occupation permit of No.1 Barker Road has been issued in September 2005 and the Certificate of Compliance is pending for issuance. Feasibility studies are carried out to change the use of certain properties of the Group.

The Group will continue its proportion of investments in venture capital fund which has shown satisfactory results.

CASH FLOW

The Group generated cash inflow of approximately HK\$51.2 million from operating activities after the service of interest of HK\$16.4 million and profits tax of HK\$4.2 million. The Group received dividends of HK\$16.5 million and added new bank borrowing of HK\$11.0 million. The Group applied the fund for addition of property, plant and equipment, investment properties and leasehold land of HK\$36.9 million and payment of dividends of HK\$38.7 million, the balance of cash and cash equivalents increased by HK\$7.5 million to HK\$23.2 million. The cash flows were also funded by long term and short term borrowings.

LOAN FINANCING

The construction loan for the development of No. 1 Barker Road was re-arranged during the year and will be due for repayment upon completion of the project. Bank financing has been solicited to re-finance the repayment of this newly arranged construction loan.

PROSPECTS

Benefited by the continuous strong economic growth in China and the various favorable supportive measures from China, we have seen a full recovery of consumer confidence as well as economic growth in Hong Kong during 2005. Nevertheless, future growth rate may be affected by the extent of global interest rates rise and the level of energy costs as well as, to a lesser extent, the rise of exchange rate of RMB. Return from property investments will however remain healthy. Coupled with the completion of our projects at the Peak and in Sai Kung, the overall outlook of the Group in the coming year remains positive.

Barring any unforeseen circumstances, the Group will continue to pursue its prudent policy and maintain stable earnings for the coming year.

In closing, I wish to thank my fellow directors for their valuable guidance and to all staff members for their dedication and hard work.

William Ma Ching Wai
Chairman

Hong Kong, 27th March 2006