Chairman's Statement

OVERVIEW

Following its previously agreed strategy, the Group continued to dispose off those remaining properties which were perceived to have little growth potential, and continued to seek other investment opportunities to replenish its property portfolio.

During the year under review, the Group launched the sale of Royal Green, a Sheung Shui residential development in which the Group has a 55% interest. The development works of several other property projects in Hong Kong and Mainland China are progressing on schedule.

RESULTS

The Group's audited consolidated profit attributable to the equity holders of the Company for the financial year ended 31st December, 2005 was HK$1,072.3 million which, compared to HK$120.5 million in the previous year, represented an increase of 789.9%. The increase in profit was principally due to the recognition of the sales of Royal Green units, the net surplus from revaluation of investment properties in compliance with the new Hong Kong Financial Reporting Standards ("HKFRSs"), and net savings in finance costs resulted from disposals of properties in New Zealand. The savings in finance costs, however, was off-set by a reduction in rental income and loss on disposals of properties in New Zealand.

DIVIDEND

The Board recommended the payment of a final dividend of HK6 cents per share for the year ended 31st December, 2005 payable on Thursday, 25th May, 2006 to the shareholders of the Company whose names appear on the Register of Members on Thursday, 18th May, 2006. Together with the interim dividend of HK4 cents per share paid on 17th October, 2005, the total dividend for the year is HK10 cents per share. An interim dividend and a final dividend of HK4 cents and HK6 cents per share respectively were paid in the preceding year. Total dividends payable are HK$54,556,000 which will be increased by HK$6,522,000 as a result of additional ordinary shares issued upon the exercise of all the outstanding warrants and share option subscription rights.

BUSINESS REVIEW

Property Investments and Developments

Hong Kong

With a rebound of the economy in Hong Kong and general improvement in business confidence, the Group's gross rental income generated from Dah Sing Financial Centre increased by 5.8% during the year to HK$61.8 million, with occupancy rate also improving to 86.1%. Facing with a limited supply of 'Grade A' office premises on the Hong Kong Island in the coming few years, the Group expects a better rental return from lease renewals and new leases negotiated.

In May 2005, the Group launched the sale of Royal Green Phase I, a joint development project with Henderson Land in Sheung Shui, which consists of 3 towers with a total of 922 residential units. Turnover recognized for the project during the year was HK$431.7 million and the net profit derived from the project amounted to HK$191.0 million. As at the date of this Report, about 54% of total units were sold. Sale of the remaining units of the project will soon take place.

Royal Green

The Hotel Development Plan at 6-20 Leighton Road has been approved by the Town Planning Board ("TPB"). Foundation works are in progress and construction of the whole project is expected to be completed by early 2008.

The Group through its 81.74% owned subsidiary, Asian Growth Properties Limited ("AGP"), which was listed on the Alternative Investment Market ("AIM") of the London Stock Exchange on 16th January, 2006, holds the following property development and investment projects:

1) A site at 223-227 Wanchai Road is being developed for a 22-storey composite residential and retail building. Foundation works are in progress and the development is scheduled for completion by mid 2007.

   Subsequent to the year end, the Group has completed the purchase of the adjoining site, which will allow additional four floors to be added to the existing development. Foundation works completed to-date have taken into account this extension. Pre-sale of the residential units will be ready by mid 2006.

223-227 Wanchai Road

2) 97 Po Kong Village Road, Diamond Hill, a 2,300 sq. m. site, is being developed into a 48-storey residential and commercial composite building with a total gross floor area of approximately 202,600 sq. ft. Foundation works have been completed and contract for super-structure works has been awarded. Target completion date of the property is scheduled in the fourth quarter of 2007. Pre-sale of the units is planned to be launched in the second half of this year.

97 Po Kong Village Road

3) Project at Fo Tan, Sha Tin is yet to start. An amended master layout plan has been submitted to the TPB and approval is awaited. Management is of the view that development of this 20,100 sq. m. site would not commence till early 2008. Currently, the property is being leased out as a logistic centre.

4) The Group also holds a retail shop in Causeway Bay for investment purpose. Rental income from the shop is considered acceptable.

Chairman's Statement

Westmin Plaza Phase II

Plaza Central

China

Guangzhou

The Westmin Plaza Phase II project, which has a total construction floor area of 118,000 sq. m., comprising four residential blocks and one office block on top of a commercial podium, is expected to be completed by end of 2006 and pre-sale of the residential units will soon be launched.

Chengdu

The construction of Plaza Central, which has a total construction floor area of 91,500 sq. m. comprising two 29-storey office blocks on top of a six-level retail podium, was completed. Leasing work for the retail and office space has already commenced. At the same time, upgrading works are being undertaken to enhance the value of the property, which will be completed by mid 2006.

Australia and New Zealand

The 2005 financial year was a significant consolidation year for our 66.26% owned subsidiary, Trans Tasman Properties Limited ("TTP"), following the Group's series of restructuring exercise taken place in the past few years.

TTP recorded a net surplus of NZ$4.3 million for the year ended 31st December, 2005, which compared to NZ$30.7 million for the previous year, showed a drop of 86.0%. The decline in earnings reflected the timing to completion of current development properties and projects, most of which are in progress rather than nearing completion. Shareholders' equity increased from NZ$382.5 million to NZ$394.1 million as at 31st December, 2005, with reported net asset value per share increasing from NZ 64.3 cents to NZ 67.9 cents.

In order to execute the strategic plan of a greater emphasis on property development segment, TTP made the following significant transactions during the year:

1. sale of EDS House, Wellington;
2. sale of the Air New Zealand head office development in Auckland;
3. sale of the remaining two Airpark 1 sites in Auckland;
4. sale of a further 10% of the strata units at 65 York Street, Sydney;
5. settlement of Qantas House and Finance Centre, Auckland;
6. purchase of a controlling interest in a 125 hectare development property at Woodend, Christchurch;
7. purchase of a further development site at 120 Halsey Street, Viaduct, Auckland;

8. conditional purchase of a 27.2 hectare development site in Christchurch; and
9. off-market non pro-rata buyback of 14.3 million TTP shares at NZ 40.0 cents

and subsequent to the year end:

1. completion of the sale of 97.5% of its investment in AGP by an off-market pro-rata share buyback and the subsequent cancellation of 424,297,954 TTP shares;
2. conditional sale of its development properties known as Viaduct 1 and Viaduct 2 in Auckland; and
3. conditional purchase of a fourth contiguous development site in Packenham Street, Auckland.

Garment Operation

Turnover generated from the garment business for the year amounted to HK$31.3 million, which, compared to HK$57.0 million in 2004, represented a drop of 45.2%. The operation reported a slight loss of HK$1.2 million as compared to a profit of HK$12.6 million in 2004. The significant drop in turnover and the resultant loss were substantially due to the absence of quota income after the abolition of quota system as from 1st January, 2005, and management's election to take a conservative approach in accepting orders when facing the risk of possible import safe-guard measures taken by the United States and Europe (which did take place). Pricing pressure is expected to continue. Business outlook for this small garment operation this year is more positive and management will exercise tighter control on costs to improve profit margin and strengthen competitiveness.

SUCCESSFUL LISTING OF AGP ON AIM

The Board is pleased to report that AGP was successfully listed on the AIM in London on 16th January, 2006. The Group made cash offer to purchase any AGP shares exchanged by the TTP public shareholders for the first five trading days of AGP's listing. As a result of this offer, the Group's interest in AGP increased to 81.74% as at the date of this Report.

CORPORATE CHANGES IN TTP

During the year, the Group continued to acquire shares in TTP from the market and increased its interest in TTP from 61.31% to 66.26% as at 31st December, 2005. As the acquisition cost was below the net asset value of the shares acquired, a discount on acquisition of HK$36.8 million had resulted, which was immediately recognized in the income statement.

Subsequent to the year end, following the pro-rata buyback of TTP shares in exchange for AGP shares and the subsequent cancellation of TTP shares, the Group therefore reduced its interest in TTP to 52.25% as at the date of this Report.

FINANCIAL REVIEW

Turnover for the year ended 31st December, 2005 amounted to HK$940.1 million (2004: HK$474.7 million), a 98.1% increase over the last year. The increase was mainly due to the following:

1. the sales proceeds recognized from the development project of Royal Green in Sheung Shui amounted to HK$431.7 million (2004: Nil); and

2. the sales proceeds recognized from the disposals of various properties in New Zealand and Australia amounted to HK$336.0 million (2004: HK$196.4 million).

However, the increase in turnover was partially offset by the rental income forgone, amounted to HK$88.7 million, after the disposal of various investment properties in New Zealand and Australia.

Net profit for the year amounted to HK$1,149.1 million (2004: HK$143.6 million), representing a 700.2% increase compared with last year. The profit attributable to equity holders of the Company amounted to HK$1,072.3 million (2004: HK$120.5 million), a 789.9% increase over last year. The favourable variances were mainly due to the following:

1. the net profit derived from the Royal Green project amounted to HK$191.0 million (2004: Nil); and

2. a gain arising from the change in fair value of investment properties after deferred tax amounted to HK$1,010.5 million (2004: Nil).

However, the net profit was partially offset by:

- the decrease in net rental income after the settlement of investment properties in New Zealand and Australia amounted to HK$87.2 million.

- the increase in minority interest for the Royal Green project amounted to HK$86.0 million.

- the impairment loss recognized for the properties in Indonesia and New Zealand amounted to HK$36.2 million.

For the purpose of preparing the financial statements for the year under review, the Group has adopted the new HKFRSs, including all the Hong Kong Accounting Standards and relevant interpretations, which took effect on 1st January, 2005. The resulting significant changes in accounting treatment and presentation are detailed in Note 2 of Notes to the Consolidated Financial Statements.

In compliance with the new HKFRSs, the Group revalued its investment properties as at 31st December, 2005 and accounted for a net attributable surplus of HK$1,010.5 million, representing revaluation surplus of HK$1,251.1 million less related deferred tax of HK$240.6 million, in its profit and loss account for the year under review. Excluding this revaluation net surplus from the results, the Group's net profit for the year would be HK$138.6 million, a decrease of HK$5.0 million or 3.5% over last year.

Net Asset Value

The Group's total assets increased by HK$953.3 million, as at 31st December, 2005, as a result of the change in fair value of its investment properties and the sale of various investment and development properties in New Zealand and Hong Kong. The Group's total borrowings decreased by HK$767.3 million, as at 31st December, 2005, after repayment of bank loans by the TTP Group on its sold properties.

As at 31st December, 2005, the Group's total net assets attributable to equity holders of the Company amounted to approximately HK$4,354.4 million. With a total number of ordinary shares in issue of 548,443,165 as at 31st December, 2005, the net asset value per share to equity holders of the Company was HK$7.94. By taking into consideration the potential dilutive effect of outstanding warrants and share options, the total number of ordinary shares in issue will be increased to 660,266,718 and the net asset value per share to equity holders of the Company would become HK$6.59.

FINANCIAL RESOURCES AND LIQUIDITY

Shareholders' Equity

As at 31st December, 2005, the Group's equity attributable to equity holders of the Company amounted to HK$4,354.4 million (31st December, 2004: HK$3,072.1 million), an increase of 41.7%, which was mainly due to the profit retained for the year of HK$1,072.3 million, the prior year adjustment on reclassification of negative goodwill to retained earnings of HK$225.2 million, increase in share capital and premium of HK$51.4 million, and dividends paid of HK$52.2 million.

Working Capital and Loan Facilities

As at 31st December, 2005, the Group's cash balance was HK$979.1 million (31st December, 2004: HK$871.2 million) and unutilized facilities, HK$1,412.2 million (31st December, 2004: HK$1,383.8 million). Its current (working capital) ratio improved from 1.84 as at 31st December, 2004 to 2.59 as at 31st December, 2005. The improvement was mainly due to the repayment of loans after the disposals of properties in New Zealand and Australia, and the sales of units in the Royal Green project.

Pledge of Assets

Bank borrowings of the New Zealand group, including TTP and its Australia subsidiary, Australia Growth Properties Limited, are denominated in NZD and AUD respectively. As at 31st December, 2005, the New Zealand group's total bank loans drawn were HK$834.4 million, which were secured mainly by properties valued at HK$1,498.0 million.

For the Group's subsidiaries operating in Indonesia, borrowings are in IDR currency. As at 31st December, 2005, the Indonesian group's total bank loans drawn amounted to HK$53.3 million. The loans were secured mainly by pledged fixed deposits of HK$44.5 million.

For the Group's subsidiaries operating in Hong Kong and Mainland China, borrowings as at 31st December, 2005 amounted to HK$1,542.0 million, which were secured by properties valued at HK$4,783.0 million.

Refinancing and Gearing

Major credit facilities have been renewed on a medium and long-term basis which should provide the Group with the capacity and flexibility to seize and undertake any investment and development opportunities consistent with its strategy of remaining a long-term player in the property industry.

Gearing ratio as at 31st December, 2005, calculated on the basis of net interest bearing debt minus cash as a percentage of total property assets, reduced from 34.1% to 19.9%. The improvement was mainly due to the significant repayment of loans after the disposals of properties in New Zealand and Australia, and the increase in the value of investment properties as a result of implementation of the new HKFRSs.

Loan maturity profile

As at 31st December, 2005, maturities of the Group's outstanding borrowings were as follows:

	31st December, 2005 ***HK$' million***	31st December, 2004 *HK$' million*
Due within 1 year	**917.7**	1,432.1
1-2 years	**608.6**	253.4
3-5 years	**254.3**	736.9
Over 5 years	**649.4**	774.9
	2,430.0	3,197.3

Chairman's Statement

Treasury policies

The Group adheres to prudent treasury policies. As at 31st December, 2005, about 97% of the Group's borrowings were raised through its wholly-owned or substantially controlled subsidiaries. Its borrowings are principally based on floating rate terms but for loans of sizeable amount, interest rate hedging mechanisms have been arranged to safeguard against any interest rate volatility. The use of hedging instruments including swaps and forwards are strictly controlled and solely for management of the Group's interest rate and currency exposures in connection with its borrowings.

Management and Staff

The Group had 217 employees at 31st December, 2005 compared with 200 in the previous year. Salary and benefits are reviewed at least annually both in response to market conditions and trends and in conjunction with individual performance appraisals. Fringe benefits including study and training allowances, and voluntary employer contributions to retirement schemes are offered to most employees.

The Board wishes to thank the management and staff for their commitment, contribution and dedication, and the customers and tenants for their continuous support to the Group.

OUTLOOK

Although the prime rate has increased by 3% to 8% p.a. since commencement of the interest rate hike in March 2005, management is optimistic about the residential market in Hong Kong. With an improved job market, a steady rise in income, the increasing number of marriages and new births, the demand for quality housing is anticipated. It is more conclusive by the Government's recent release that the supply of new residential units is expected to remain low for the next few years.

In view of the stable economic growth of Hong Kong and the continued influx of companies from Mainland China and overseas, the demand for office space is expected to be strong. Furthermore, with a limited supply of quality new office space for the coming years, office rental is expected to rise further in 2006, which would no doubt enhance the Group's rental income.

In China, the Group's investments in both Guangzhou and Chengdu projects are beginning to bear fruit. Pre-sale of the residential units and leasing of the retail shops and office space are being actively promoted. Rewarding contribution from these projects is expected.

The Group will continue to look for investment opportunities within the greater Asia region. Currently, the management is closely monitoring the progress of the development projects to ensure the quality of these projects is of high standard and their completion on time. The successful listing of AGP on AIM demonstrates the management's positive outlook on the Asian property market, especially Hong Kong and Mainland China.

Lu Wing Chi
Chairman and Managing Director

Hong Kong, 7th April, 2006