

# CHAIRMAN'S STATEMENT

## FOR THE YEAR ENDED 31 DECEMBER 2005

Nobody would agree 2005 was a very difficult year for Hong Kong since Hong Kong's real GDP growth of 7.3% was recorded in 2005 and solid export growth and domestic demand continued to support a steady recovery. Throughout the year, the Group again remained very focused in its core rental business and concentrated its effort on maintaining its market position in both Hong Kong and Shanghai.

What was particularly noteworthy in this year was the changes and the consequences in the adoption of a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards which have been effective for accounting periods beginning on or after 1 January 2005. Of particular importance, the Group has recognized a fair value gain on investment properties of HK\$54 million in the current year.

In respect of the Hong Kong property portfolios, the Group continued to maintain an occupancy rate close to 85% with no significant drop in overall rental value. In view of the good potential growth in the Hong Kong property market, the Group acquired four properties amounted to HK\$68 million in the second half of 2005 in order to further strengthen our solid base of recurring income.

We are proud of the performance of the Group's property investment in Shanghai since the Group's Shanghai service apartment chain continuously contributed a strong return of investment with consistently high occupancy rate of over 90%. Despite the State and the local government of Shanghai City intensified their macro-economic controls on the property industry and property market, the Group is of the view that the property industry in Shanghai will continue to grow steadily after necessary adjustments.

We anticipate that the future is bright for the Group as a result of our good achievements in the past several years. The Board and management of the Group are dedicated to maximizing the shareholders' wealth. We will under the principle of prudence carefully while actively identify new development projects opportunities. Taking this opportunity, I would like to thank all shareholders and employees for their support and contribution in the past year.

**Lau Chi Yung, Kenneth**  
*Chairman*

Hong Kong, 19 April 2006