

Chairman's Statement



Hong Kong's economy remained steadily on the recovery track in 2005, coupled with improved employment conditions and increase in income, local GDP has reached an unprecedented record high of HK\$1,380 billion, while real GDP growth rate also stood high at 7.3%. Benefiting from the upturn in economy and the Individual Visit Scheme, the local property and retail markets remained buoyant. Overall, the property leasing market has performed strongly. In particular, the rental rates of commercial buildings and retail shops in prime tourist locations increased substantially. The Group has adhered to a steady business development during the year and achieved sound financial performance.

The traffic flow of Soundwill Plaza, the Group's flagship property, was robust and its leasing performance was outstanding. Its average occupancy rate was close to 100% throughout the year, thus generating respectable and stable rental income stream for the Group. Due to expected reconstruction work for certain shopping malls in Causeway Bay along with inadequate supply for Grade A commercial buildings in prime areas, Soundwill Plaza's overall rental rates should have a strong upward trend potential.

In view of the escalating demand for quality residential properties while the supply of local private residence is dwindling, the Group will continue its on-going development of the low-density residential projects located in Yuen Long and Sai Kung of the New Territories with a view to further develop the Group's profit streams.

The Group is committed to promoting urban redevelopment of Hong Kong. After specializing in this business for years, the Group has established solid groundwork in urban redevelopment. The Hong Kong Government is seriously considering to amend the existing "Land (Compulsory Sale for Redevelopment) Ordinance", proposing to set a lower threshold on forced sales. The Government is putting forward to reduce to a minimum threshold of not less than 80% ownership required to apply for a compulsory sale in the course of property acquisition, while the current threshold stands at not less than 90%. This reduction will expedite developers' urban redevelopment projects. The Group will focus on pursuing the urban redevelopment business by prudently exploring potential sites for redevelopment with a view to enhance its core asset and profit.

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In terms of financial performance, the Group recorded positive results with increased turnover as compared with last year while profit redoubled. As at 31 December 2005, the Group's bank balances and cash amounted to approximately HK\$72,000,000, which should be sufficient for its operational funding requirement. As at 31 December 2005, the Group's net asset amounted to approximately HK\$2,177,890,000, an increase of about 51% as compared with the end of 2004, and the total number of shares in issue was 222,222,113, NAV (net asset value) per share was around HK\$9.8 representing a significant discount to the share's market price. In addition, the stable and respectable rental revenue generated from Soundwill Plaza also contributed towards the Group's solid financial position. Notwithstanding the rise in interest rate, the Group is endeavoring to enhance its profitability and widen its sources of profit with a view to neutralize the risk of further increase in interest rate.

The Group saw a healthy financial position, adequate working capital as well as positive results in its businesses during the year. The prospects of the Group's businesses are encouraging. I sincerely thank the Board of Directors and our staff for their contributions during the past year. I also wish to extend my appreciation to our bankers and shareholders for their continuous support and trust. Looking forward in 2006, I anticipate higher growth momentum for the Group's various businesses and hence, sustained improvement in shareholders' returns.

Foo Kam Chu, Grace

Chairman

Hong Kong, 21 April 2006

