

ADDRESS OF THE CHAIRMAN



PROFIT AND DIVIDEND

I am pleased to present to the shareholders the operating results of our Group.

The audited profits attributed to shareholders for the financial year ended 31 March 2006 (“the year”) amounted to HK\$1,169,000,000, an increase of 38% over last year’s restated profit (FY2004/05 restated: HK\$846,000,000).

During the year, the Group adopted new accounting policies stipulated by the Hong Kong Institute of Certified Public Accountants relating to investment properties and hotels. Without these changes (including profit generated from land sales amounting to approximately HK\$150 million), the audited profit attributed to shareholders for this financial year was HK\$448 million, an increase of 40% compared with the same period last year.

The Board of Directors proposed that the final dividend of HK\$0.24 be paid on each share. If the recommendation is approved, the total dividend for the year including the interim dividend of HK\$0.15 per share will amount to HK\$0.39 per share.

BUSINESS OVERVIEW

The Hong Kong economy continued to experience steady growth. Improvements in the property leasing market, and favorable employment levels coupled with increasing numbers of inbound tourists have all contributed to rising business and consumer confidence. Taking advantage of the positive environment and continued to develop a larger client base with enhanced cost efficiency, the Group was able to deliver a satisfactory performance during the year.

The Group’s hotel business achieved healthy growth with satisfactory results. Rental income from the Miramar Shopping Centre for the first half of the financial year was flat due to higher vacancy rates during the planned tenant-mix changes. However, growth in the second half of the year picked up satisfactorily. Performance in our food and beverage operation was steady, however, the travel agency business still faced intense market pressure.

HOTEL OPERATIONS

Hotel Miramar achieved healthy growth in its operating results with close to 90% average occupancy and an increase of 19% in average room rate. The Hotel was aggressive in targeting new corporate clients and continued to expand its sales network, resulting in better performance from the European and American markets. The overall client mix from all key markets was well balanced. Continuous enhancements in service quality resulted in food and beverage revenue growth despite fierce market competition.

In the hotel management business, average room rates for the seven hotels under management recorded satisfactory growth with steady increases in average occupancy. During this financial year, two hotels underwent renovations to upgrade their market positioning for the business sector. The Group will continue to explore hotel management projects and joint venture opportunities in major cities in mainland China.

PROPERTY BUSINESS

Progress was made during the year to upgrade the client-mix and the overall image of the Miramar Shopping Centre. Average occupancy reached 91% with greater numbers of quality international brands signing up as tenants. This will further improve shopping traffic and will attract more quality new tenants in the coming years. The Group plans to have further refurbishment to upgrade the shopping arcade to support this current tenant-mix upgrade.

During the year, the Group sold approximately 60 acres (194 lots) of residential land and 20 acres of commercial land in Placer County, California. This contributed HK\$150 million to our after-tax profits. At the end of this financial year, approximately 80 acres (290 lots) of residential land and 70 acres of commercial land remain available for sale.

In Shanghai, almost all the office units at Shang-Mira Garden have been sold. At the same time, the Shang-Mira shopping arcade continued to achieve high occupancy rate of 99%.

FOOD AND BEVERAGE OPERATIONS

Food and beverage business reported a steady growth. The high-end restaurant duo in IFC II - Cuisine Cuisine and Lumiere, performed well with further enhancements in service standards and food quality. The growth in the wedding banquet business for the Tsui Hang Village Restaurants was satisfactory, contributing favorably to its operating results.

TRAVEL BUSINESS

The overall results for Miramar Express improved slightly. The commercial travel sector increased its profit by more than 40% while the air/hotel package business was adversely affected by isolated natural disasters, and yet was able to generate a reasonable profit through efficiency improvement. As the General Agent for Crystal Cruises, Miramar Express also was recently appointed as the representative agent in Hong Kong for the Oceania Cruises. At the same time, there were ongoing negotiations with different cruise line operators to explore new opportunities. The hire-car operation will put more effort in the coming year to increase the cross-border traffic

between Hong Kong and China by adding more vehicle quotas to these routes. However, outbound tour operation continued to face intense competition and recorded an operating loss during the financial year.

The group tour business of Miramar Express – Miramar Travel, joined forces with an industry veteran and the Group reduced its share holdings to 54%. With a series of marketing activities under an innovative style of operation, a higher market penetration is expected.

PROSPECTS

In view of generally optimistic economic prospects, increasing investment confidence, strong consumer spending and continued growth in China's economic development, the Group, with its stable financial resources, will look to take advantage of promising investment opportunities to generate satisfactory returns for shareholders. The Board of Directors is confident that barring any unforeseen circumstances, operating results for the Group in the forthcoming financial year will remain optimistic.

DIRECTORS

The Board of Directors wishes to express its warm welcome to Mr Timpson Chung Shui Ming who was appointed as director during the financial year. Mr Chung is the Chairman of the Council of the City University of Hong Kong, a member of the Hong Kong Housing Authority and the Chairman of its Finance Committee, as well as being the former Chairman of the Hong Kong Housing Society. With Mr Chung's experience and expertise in management and property development, the Board is confident that Mr Chung will have many valuable contributions to our Group.

GRATITUDE

I would like to express my sincere gratitude to the Directors and all the staff for their hard work and contributions in the past year.

LEE SHAU KEE

Chairman

Hong Kong, 28 June 2006