CHAIRMAN'S STATEMENT

OVERVIEW

As a result of the continued increase in interest rates and high oil prices, activities in the local property market significantly reduced in the first half of 2006. However, the Group continues to benefit from the rise in office rental rates in Hong Kong and the upward revaluations of investment properties. Given the moderate growth of the Hong Kong economy and interest rate hike nearing its peak, the outlook for the Group's property investment and development businesses remains optimistic.

RESULTS

The Group's unaudited consolidated profit attributable to the equity holders of the Company for the six months ended 30th June 2006 was HK$524.1 million which, compared to HK$730.7 million for the corresponding period last year, represented a decrease of 28.3%. Diluted earnings per share were HK84.1 cents (2005: HK124.2 cents).

DIVIDEND

The Board has declared an interim dividend of HK5 cents (2005: HK4 cents) per share for the six months ended 30th June, 2006 payable on Monday, 23rd October, 2006 to the shareholders of the Company whose names appear in the Register of Members on Friday, 20th October, 2006. Total dividends payable as at the date of this Report amount to HK$29,134,000, which will be increased by HK$3,880,000 to HK$33,014,000 if warrant holders and holders of share options exercise their outstanding subscription rights for shares of the Company before the stipulated period for the closure of the Register of Members.

BUSINESS REVIEW

Property Investments and Developments

Hong Kong

Dah Sing Financial Centre, Gloucester Road, Wanchai

Gross rental income generated for the six months ended 30th June, 2006 was HK$33.6 million, compared with HK$30.5 million for the corresponding period in 2005. The rise in income resulted from an improved occupancy rate from 86.4% to 87.6% and the increase in average base rent of 12.5%. The Group expects a better rental return from lease renewals and new leases negotiated in the second half of the year.

Royal Green, Sheung Shui

Due to the continued rise in interest rate in the United States, sentiment in the property market for the past six months was low, and therefore there were no major sales promotion programs launched for this joint development project with Henderson Land. Turnover recognized for the period represented the completion of sales made in 2005 amounted to HK$285.3 million, which contributed a net profit of HK$143.9 million. Sale of the remaining units of the project was relaunched in July 2006 and as at the date of this Report, 148 units were sold in this sales launch. So far, approximately two-thirds of the units in Royal Green have been sold.

The Morrison, Wanchai

In April 2006, the Group completed the purchase of an adjoining property at 2 Morrison Hill Road for HK$77.2 million, which was financed by an increase in the existing bank loan facility. Upon amalgamation of the two sites, the total marketing area of the development would be increased to approximately 70,900 square feet, and an additional four floors to the existing development would be added.

Foundation work was completed and superstructure work contracts have been awarded. The pre-sale of the project, now known as "The Morrison", is expected to commence in the fourth quarter of 2006. The development is expected to be completed by the third quarter of 2007.

Leighton Road, Causeway Bay

The Leighton Road development comprises two adjoining lots, which are currently under construction. It is intended that the site will be developed into a 30-storey hotel with 206 guest rooms. The proposed hotel is scheduled to be completed by the end of 2008.

Po Kong Village Road, Diamond Hill

The site will be developed into a 48-storey composite building, with a total marketing area of approximately 258,100 square feet, comprising 304 residential units above a 7-level retail podium, a clubhouse and 156 car parking spaces. Pre-sale of the residential units is planned for early 2007. The superstructure construction work has already commenced since April 2006 and the project is expected to be completed by the fourth quarter of 2007.

Fo Tan, Sha Tin

Planning works for the development of the Fo Tan project continue. Several master layout plans have been submitted to the Town Planning Board for consideration. The property is currently leased out as an industrial site.

China

Guangzhou

The Westmin Plaza Phase II project, which has a total construction floor area of approximately 118,500 square meters, comprising four residential blocks and one office block on top of a commercial podium, is expected to be completed in early 2007. Nearly 87% of the planned 646 residential units have been sold to date, sales proceeds of which will be recognized in the income statement of 2007 upon completion of the development.

Chengdu

Leasing work for the office space of Plaza Central is in progress. Subsequent to the period end, all of the remaining retail space has been leased to a reputable nation-wide departmental store chain under a long-term lease. Stable recurrent income from this property is expected.

Australia and New Zealand

Trans Tasman Properties Limited ("TTP") reported a net deficit for the six months ended 30th June, 2006 of NZ$2.6 million compared to a net surplus of NZ$6.5 million for the corresponding period in 2005. The deficit was mainly caused by the decrease in the property sales activities in current period as most of the current development properties and projects are still under construction, thereby affecting revenue stream.

Following the completion of the sale of 97.5% of its investment in Asian Growth Properties Limited ("AGP") by an off-market pro-rata share buyback and the subsequent cancellation of TTP shares, the shareholders' equity of the Company decreased from NZ$394.1 million to NZ$102.4 million as at 30th June, 2006, with reported net asset value per share decreased from NZ67.9 cents to NZ66.1 cents.

Garment Operation

Due to the general softening of the garment sector, turnover generated from the garment business for the six months ended 30th June, 2006 was HK$14.1 million which, compared to HK$16.4 million for the same period in 2005, represented a drop of 14%. The operation reported a small loss of HK$0.5 million as compared to a profit of HK$0.2 million for the same period in 2005. Pricing pressure is expected to continue. Management will continue to exercise tighter control over costs to improve profit margin and strengthen competitiveness.

CORPORATE CHANGES IN TTP

As the shares in TTP continued to be traded below their net asset value on New Zealand Exchange Limited, the Group continued to acquire shares in TTP from the market. Subsequent to the period end, the Group made an unconditional offer to acquire all of the remaining voting shares in TTP for NZ$0.55 per share. The offer has been extended to 10th October, 2006. So far, the Group's interest in TTP has further increased to 78.05%.

CORPORATE CHANGES IN AGP

To provide the TTP public shareholders who exchanged shares in TTP for AGP shares with an opportunity to realize their investment in AGP, the Group made a cash offer to them at NZ$1.00 per AGP share (which was below its net asset value) and acquired approximately 23.3 million AGP shares within the first five trading days of the AGP shares being listed on the AIM of the London Stock Exchange in mid January 2006. As the AGP shares were also traded below their net asset value, the Group acquired further AGP shares from the market during the period under review and the Group's effective interest in AGP increased to 85.42% as at the date of this report. The share purchases had resulted in a discount on acquisition of HK$53.1 million, which was recognized in the income statement.

To achieve a transparent and non-competitive investment strategy for the Company and AGP in Asia, the Group will transfer to AGP its aggregate attributable interest in six properties and development projects, namely Dah Sing Financial Centre, 28/F., 9 Queen's Road Central, Leighton Road, Royal Green, Plaza Central and Westmin Plaza Phase II, valued by an independent valuer at HK$6,425 million for a consideration of about HK$4,430 million. The said consideration is based on the net asset value of the relevant companies which hold the above six properties. Following the completion of the transfer in early October 2006, the Group will hold all its material property assets in Hong Kong and Mainland China through AGP and the Group will have about 96.42% effective shareholding interest in AGP. Details of the transfer are contained in the Company's announcement dated 18th September, 2006.

CHAIRMAN'S STATEMENT

FINANCIAL REVIEW

Turnover for the six months ended 30th June, 2006 amounted to HK$487.3 million (2005: HK$664.8 million), which represented a 26.7% decrease over the same period last year. The decrease was mainly the result of the Group implementing its strategy to dispose of a number of TTP's investment and development properties in New Zealand and Australia in 2005, but less significant disposals were made in the current period.

Net profit attributable to equity holders of the Company for the period amounted to HK$524.1 million (2005: HK$730.7 million), representing a 28.3% decrease compared with the corresponding period last year. The decrease was mainly due to the moderate revaluation surplus recognized on the investment properties in the current period compared with the substantial surplus of HK$778.0 million recognized in relation to the first time adoption of the new Hong Kong Financial Reporting Standards in 2005.

Financial Resources and Liquidity

Shareholders' Equity

As at 30th June, 2006, the Group's equity attributable to equity holders of the Company amounted to HK$4,872.1 million (31st December, 2005: HK$4,354.4 million), an increase of 11.9% over that at the last year end date. The net asset value per share to equity holders of the Company was HK$8.36 (31st December, 2005: HK$7.94).

Working Capital and Loan Facilities

As at 30th June, 2006, the Group's cash balance was HK$1,160.2 million (31st December, 2005: HK$979.1 million) and unutilized facilities were HK$1,238.7 million (31st December, 2005: HK$1,412.2 million). Its current (working capital) ratio improved from 2.59 as at 31st December, 2005 to 2.77 as at 30th June, 2006.

Gearing ratio as at 30th June, 2006, calculated on the basis of net interest bearing debts minus cash as a percentage of total property assets, reduced from 19.9% as at 31st December, 2005 to 16.5%.

As at 30th June, 2006, maturities of the Group's outstanding borrowings were as follows:

	30th June, 2006 **HK$ million**	31st December, 2005 HK$ million
Due		
Within 1 year	**740.3**	917.7
1-2 years	**866.5**	608.6
3-5 years	**214.2**	254.3
Over 5 years	**620.5**	649.4
	2,441.5	2,430.0

Pledge of Assets

For the Group's subsidiaries operating in Hong Kong and Mainland China, the total bank loans drawn as at 30th June, 2006 amounted to HK$2,113.2 million (31st December, 2005: HK$1,542.0 million), which were secured by properties valued at HK$5,739.2 million (31st December, 2005: HK$4,783.0 million).

As at 30th June, 2006, certain subsidiaries of the Group operating in New Zealand and Australia have pledged their properties with an aggregate carrying value of HK$462.4 million (31st December, 2005: HK$1,498.0 million) to secure the total bank loans of HK$272.0 million (31st December, 2005: HK$834.4 million).

In Indonesia, the total bank loans drawn by certain subsidiaries as at 30th June, 2006 amounted to HK$56.3 million (31st December, 2005: HK$53.3 million), which were secured by fixed deposits of HK$45.7 million (31st December, 2005: HK$44.5 million).

Treasury policies

The Group adheres to prudent treasury policies. As at 30th June, 2006, all of the Group's borrowings were raised through its wholly-owned or substantially controlled subsidiaries. Currently, borrowings are primarily denominated in Hong Kong dollars and mainly based on floating rate terms. There were no derivative financial instruments employed.

MANAGEMENT AND STAFF

The Group had 182 employees at 30th June, 2006. 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 its staff for their hard work and contribution to the Group, and the customers and tenants for their continuing support.

CHAIRMAN'S STATEMENT

OUTLOOK

The Hong Kong economy in the first half of 2006 has been strong despite pressure from increased interest rates and high energy prices. The recent decision by the Federal Reserve in the U.S. to hold the Fed rate unchanged at its present level on the back of slowing housing markets and moderate inflationary expectations, has shed light on a more stabilized interest rates environment in the near term. Furthermore, the drop in oil and commodity prices recently has also helped in alleviating some pressure on costs. With the anticipation of a solid external trade performance, strong internal consumption and an improved unemployment situation, the outlook for Hong Kong's economy in the second half of the year should remain positive, though its GDP growth may moderate. Therefore, we expect that demand for residential properties should remain stable.

China has continued to grow at fast pace. The macro-economic measures introduced in June this year by the authorities in the Mainland, to curb rapid increases in housing prices and regulate property activities, have begun to take effect, as witnessed by a slow-down in property transactions. However, we believe that these measures should have little adverse effect on the overall property market in China in the medium term. On the other hand, they would help promote the market to become a more healthy and sustainable one in the long run.

Rental rates for good quality office premises in Hong Kong are expected to rise further in the second half of the year in view of the continuing strong demand for office space, which will no doubt benefit the Group's rental income.

In the months ahead, we will focus on the planned completion and pre-sales of various development projects on hand and will also actively look for suitable investment opportunities within the Asian Pacific region in order to strengthen our asset base. The Group is well positioned to take advantage of the business opportunities as they arise and to expand its business growth to generate increased returns for shareholders.

Lu Wing Chi
Chairman and Managing Director

Hong Kong, 25th September, 2006