Chairman's Statement

Chairman **LAM Kin Ngok, Peter**

RESULTS

For the year ended 31st July, 2006, the Group recorded a turnover of HK$703,352,000 (2005: HK$402,863,000) and a gross profit of HK$308,673,000 (2005: HK$161,607,000), representing an increase of approximately 75% and 91%, respectively from the previous year.

For the year ended 31st July, 2006, the Group achieved a profit from operating activities of HK$294,532,000 (2005: HK$516,052,000) and a profit attributable to equity holders of the Company of HK$132,745,000 (2005: HK$246,197,000), representing a decrease of approximately 43% and 46%, respectively from the previous year.

The decline in profit from operating activities and profit attributable to equity holders of the Company was mainly attributable to lower gain on revaluation of investment properties of HK$59 million for the year ended 31st July, 2006 as compared to HK$435 million in the previous year.

Basic earnings per share was HK$0.0215 for the year ended 31st July, 2006 compared to HK$0.0419 for the previous year.

Chairman's Statement

Shareholders' equity as at 31st July, 2006 amounted to HK$5,245,835,000, up from HK$4,182,601,000 as at 31st July, 2005. Net asset value attributable to equity holders of the Company per share as at 31st July, 2006 was HK$0.65, as compared to HK$0.71 as at 31st July, 2005.

FINAL DIVIDEND

The Board of Directors have recommended the payment of a final dividend of 0.1 HK cent per ordinary share for the year ended 31st July, 2006 (2005: Nil) to shareholders registered as at 22nd December, 2006. If approved at the Annual General Meeting of the Company, the dividend will be payable on 29th December, 2006.

BUSINESS REVIEW

Investment properties

Property rental results

During the year ended 31st July, 2006, the Group recorded turnover of HK$197,621,000 from rental income. Breakdown of turnover from rental income is as follows:

	Year ended 31st July		
	2006	2005	**Change**
	HK$	HK$	%
Shanghai			
Hong Kong Plaza	**157,876,000**	140,077,000	13
Guangzhou			
May Flower Plaza	**39,745,000**	15,365,000	159
Total	**197,621,000**	155,442,000	27

Development properties

Property sales results

	Approximate contracted sales area	**Approximate average contracted selling price**	**Approximate contracted total sales amount***
	sq.m.	HK$/sq.m.	HK$
Guangzhou			
Eastern Place Phase IV	34,000	10,800	366,000,000

* Before business tax

Chairman's Statement

During the year ended 31st July, 2006, the Group concluded total contracted sales area of approximately 34,000 sq.m.. All of these contracted sales were attributable to the sales of units at Guangzhou Eastern Place Phase IV.

The Group took advantage of the strength of the Guangzhou property market to launch the pre-sale of units at Eastern Place Phase IV starting in February 2006. As a result, the Group was able to sell most of its residential units in Eastern Place Phase IV and achieved impressive average selling price, before the austerity measures with respect to the property market were introduced by the central government in mid-2006. These contracted sales for units at Eastern Place Phase IV will be recognised as revenue and profit in the financial statements of the Group upon the completion of the project in the following financial year.

On the other hand, due to the relatively stagnant property market in Shanghai during the period, the sales plan for the remaining unsold finished units at Shanghai Regents Park Phase I was delayed to the following financial year.

Completion of development properties

During the year ended 31st July, 2006, the Group completed the development of Shanghai Regents Park Phase I, with gross floor area ("GFA") approximately 92,000 sq.m.

Under the existing Hong Kong Financial Reporting Standards, the Group only recognises revenue and profit from contracted sales of development properties after 1st January, 2005 upon completion of the relevant properties. The Group recorded turnover of HK$505,731,000 from sales of development properties, substantially most of which were attributable to the recognition of final portions of the revenue from sales of residential units at Shanghai Regents Park Phase I made before 1st January, 2005 and the revenue from sales of units at Shanghai Regents Park made after 1st January, 2005. The remainder was attributable to the sales of finished residential units at the earlier Phases I, II and III of Guangzhou Eastern Place. Breakdown of turnover from sales of properties is as follows:

	Year ended 31st July		
	2006	2005	**Change**
	HK$	HK$	%
Shanghai			
Regents Park, Phase I	**500,412,000**	189,175,000	
Guangzhou			
Eastern Place, Phases I, II and III	**5,319,000**	58,246,000	
Total	**505,731,000**	247,421,000	104

Chairman's Statement

MARKET OVERVIEW AND OPERATING ENVIRONMENT

The Group is principally engaged in property development for sale and property investment for rental purposes in the Mainland of China ("China"). The Group currently has property projects in Shanghai, Guangzhou and Zhongshan.

In 2005, China's economy continued its rapid growth and achieved a GDP growth of 9.9%, while per capita disposable income of urban residents in cities and towns recorded growth of 9.6%.

In the economic forecast in the 11th Five-Year Plan (2006-2010) recently announced, the annual GDP growth of China is expected to grow at least 7.5% per year in the next 5 years. The resilient economic growth, stable increase in average income per capita and the expectation of Renminbi appreciation would support the growth of urban property market in China.

Since the mid-2005, the central and local governments of China strengthened control over the property sector. A series of austerity measures were implemented to tighten property financing, restrain speculation and impose stringent land management controls, including strict prohibition on speculation on idle land and on transfers of pre-sale units, as well as tightening of administration on tax collection.

In 2006, the central government introduced further measures which mainly aim to discourage speculative and investment-oriented housing demand and the development of luxurious properties in China. Such measures include requiring residential units smaller than 90 square meters to account for at least 70% of the total floor area in any new residential projects, imposing tax upon the transfer of a residential unit within 5 years of purchase, restricting commercial banks from granting loans to property developers that cannot meet the 35% capital fund requirement for property development projects, increasing the minimum down-payment from 20% to 30% for those who are buying new residential units larger than 90 square meters, restricting demolition of houses, and continuing to suspend the land supply for construction of villas and low-density luxurious housing. Foreign individuals are restricted to buying self-use commodity property only with written proof of 1-year stay in China for the reason of employment or study while Hong Kong, Macau and Taiwanese individuals do not need to comply with the 1-year proof of stay requirement. Such new measures also require the local governments to publish plans on the construction of affordable housing, strictly follow approved land-use programmes, impose tighter restrictions on the conversion of farmland for development, strictly follow approval procedures in acquiring land for public infrastructure projects, and ensure that land sales must be conducted through auctions and public tenders and priorities should be given to the building of low cost and affordable housing.

Chairman's Statement

In Shanghai, these control measures had the most significant impact. Since mid-2006, the supply and demand of residential units as well as the residential property prices in Shanghai were effectively restrained. However, rental rates for commercial, office and service apartment properties in Shanghai remained strong due to increased commercial and consumer demand. In Guangzhou and other Pearl River Delta areas, property market sustained a stable performance and residential property prices increased steadily since early 2006.

In the short to medium term, the Group believes that the government control measures are intended to curtail speculative activities, improve housing supply and promote a healthy and stable development of the property market in China, which will eventually benefit the Group in the longer term.

REVIEW OF MAJOR PROPERTY PROJECTS

SHANGHAI

Hong Kong Plaza

Hong Kong Plaza is a twin-tower prime property located at Huaihaizhong Road, Luwan District, Shanghai with a GFA attributable to the Group of approximately 120,000 sq.m. comprising office, shopping arcades and service apartments. Rental income from Hong Kong Plaza during the year ended 31st July, 2006 amounted to HK$157,876,000, up from HK$140,077,000 in the previous year.

Following the completion of renovation work of the service apartments at the lower floors last year, the Group continued the upgrade and renovation of the service apartments at the upper floors this year, which is expected to be fully completed next year.

In line with the positioning of Huaihaizhong Road as a prime and high-end shopping district in Shanghai Puxi area, the Group is now conducting feasibility studies to substantially upgrade and renovate the shopping spaces of the property in the next 12 months. The upgrade and facelift work is targeted to improve the rental yield of this property.

Regents Park

Regents Park is a major residential project located in the Zhongshan Park Commercial Area at the prestigious Changning District, Shanghai with a total saleable GFA of approximately 154,000 sq.m. (GFA attributable to the Group of approximately 146,000 sq.m.). Phase I of the project comprising 7 residential towers with 1,010 saleable units (GFA attributable to the Group of approximately 87,000 sq.m.) was completed in December 2005. As of 31st July, 2006, substantially most of the units in Phase I were sold and handed over to the buyers. During the year ended 31st July, 2006, the Group recognised sales revenue from Phase I amounting to HK$500,412,000. As at 31st July, 2006, the Group had 81 units on hand in Phase I (equivalent to GFA attributable

South Tower Shopping Mall,
Hong Kong Plaza, Shanghai

Hong Kong Plaza, Shanghai

Regents Park, Shanghai

Clubhouse, Regents Park

Night view of Northgate Plaza Phase II,
Shanghai *(artist impression)*

Chairman's Statement

to the Group of approximately 5,000 sq.m. or 6% of the entire GFA attributable to the Group). The Group originally intended to sell these finished units during the six months ended 31st July, 2006. However, due to the austerity measures in China and the stagnant property market in Shanghai during the period, the sales plan for these relatively small amount of unsold units was delayed. At the moment, the Group intends to sell these units at a more appropriate time in order to achieve better selling prices.

Phase II of the project will comprise 6 residential towers with 466 units (GFA attributable to the Group of approximately 59,000 sq.m.). Construction of Phase II was slightly delayed due to the new residential property control measures announced in 2006 but work eventually commenced in August 2006 and the Group expects to complete construction in the first half of 2008. Pre-sale of Phase II is expected to start in the second half of 2007.

Shanghai May Flower Plaza (Su Jia Xiang Project)

In June 2006, the Group completed the acquisition of Assetop Asia Limited ("Assetop") from Lai Sun Garment (International) Limited, a substantial shareholder of the Company. The principal asset of Assetop is a 95% attributable interest in this property development project located at Su Jia Xiang, Zhabei District, Shanghai.

This development will have a total GFA of approximately 133,000 sq.m. (GFA attributable to the Group of approximately 126,000 sq.m.), comprising residential and office apartments, commercial spaces, carparks and ancillary facilities. Construction of Shanghai May Flower Plaza is expected to start around the first half of 2007 and is scheduled to be completed by the end of 2009.

Shanghai Northgate Plaza

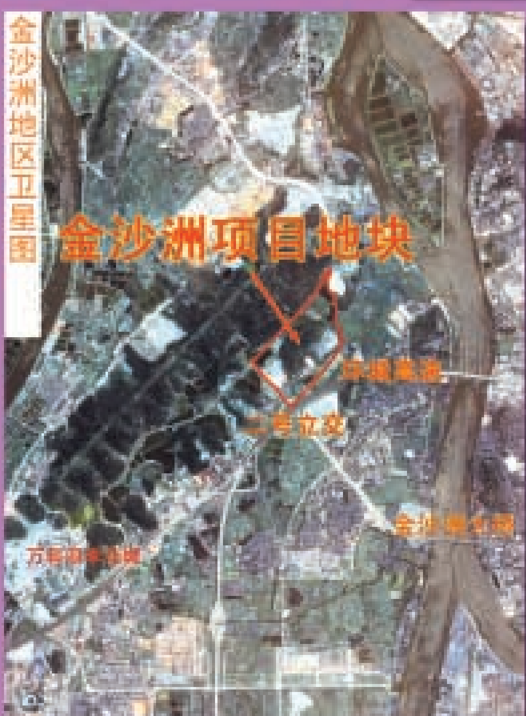
Phase I of Shanghai Northgate Plaza is a block of office units with retail podium located in Zhabei District of Shanghai near the Shanghai Railway Terminal. This complex has a total GFA of approximately 36,300 sq.m. (GFA attributable to the Group of approximately 17,500 sq.m.) comprising office units and retail spaces. During the year ended 31st July, 2006, the share of profit contribution to the Group from Shanghai Northgate Plaza was HK$3,907,000, up from HK$3,015,000 in the previous year.

The Group plans to develop Phase II of Shanghai Northgate Plaza on the vacant site located adjacent to Phase I. The Phase II development will have a total GFA of approximately 29,000 sq.m. (GFA attributable to the Group of approximately 14,000 sq.m.) comprising service/office apartment units with retail podium. The Group is in the process of finalising construction plans of the Phase II development. Construction of Phase II is expected to commence in 2007 and is scheduled to be completed in 2010.

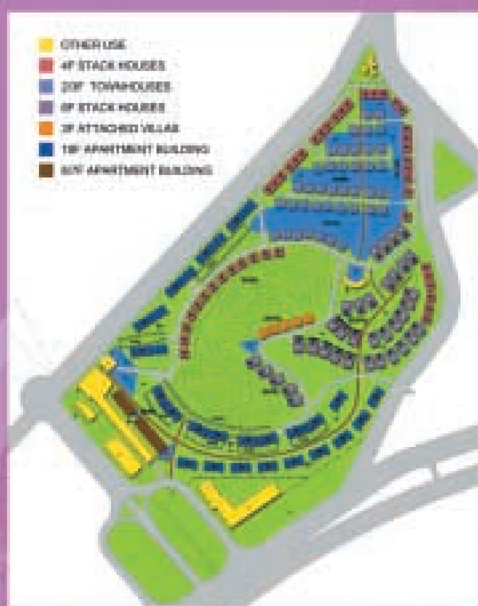
May Flower Plaza, Guangzhou

Hai Zhu Plaza, Guangzhou *(artist impression)*

Eastern Place, Guangzhou



Jinshazhou project, Guangzhou



Site plan, Jinshazhou project

Chairman's Statement

GUANGZHOU

May Flower Plaza

May Flower Plaza is a prime property situated on Zhongshanwu Road, Yuexiu District directly above the Gongyuanqian subway station in Guangzhou, interchange station of Guangzhou Subway Line No. 1 and 2. This 13-storey complex has a total GFA of approximately 50,600 sq.m. (GFA attributable to the Group of approximately 39,000 sq.m.) comprising retail spaces, restaurants and fast food outlets, cinemas and office units.

The property was opened in 2005 and is now 100% occupied by tenants that are well known corporations and/or consumer brands. Rental income from May Flower Plaza during the year ended 31st July, 2006 amounted to HK$39,745,000.

Eastern Place

Eastern Place is a multi-phase residential project located at Dongfeng East Road, Yuexiu District, Guangzhou. Phases I to III, which comprise 6 residential towers (Towers 1 to 6) and the residents' clubhouse, had been completed. The resident clubhouse houses an Olympic size swimming pool, fitness facilities, a convenience store as well as a restaurant.

Phase IV, which comprises 2 residential towers (Towers 7 and 8) with 382 saleable units (GFA attributable to the Group of approximately 37,000 sq.m.) has been substantially completed. Occupation permit for Phase IV is expected to be issued by the end of 2006.

The Group launched the pre-sale of Phase IV in February 2006 and has received good market response since then. As of 31st July 2006, the Group made contracted sales of 355 units in Phase IV with a total GFA of approximately 34,000 sq.m., representing 93% of total saleable units attributable to the Group in Phase IV. The average sales price achieved in Phase IV was approximately RMB11,000 per sq.m.

The Group has started the planning work of Phase V, which has an intended total GFA of approximately 113,000 sq.m. comprising residential units, office and retail spaces. According to the current development plan, Phase V is expected to be completed in 2009. Pre-sale of Phase V is expected to start in second half of 2008 or early 2009.

Jinshazhou Project

Jinshazhou project is a 50:50 joint venture with CapitaLand China Holdings Pte. Ltd. ("CapitaLand China"). This proposed development in Heng Sha, Baiyuan District, Guangzhou has a total GFA of approximately 360,000 sq.m. (GFA attributable to the Group of approximately 180,000 sq.m.), comprising low-rise residential units with ancillary facilities including carparks and shopping amenities.

Chairman's Statement

The Group completed the joint venture arrangement for this project with CapitaLand China in February 2006. According to the current development schedule, the project will be completed in phases from 2008 to 2010.

Hai Zhu Plaza

Hai Zhu Plaza is located at Chang Di Main Road in Yuexiu District, Guangzhou along the Pearl River. The proposed development has a GFA attributable to the Group of approximately 100,000 sq.m. and is intended for a high-end office tower, a service apartment tower, a retail podium, carparks as well as ancillary facilities.

The project is currently in the process of resettlement of original occupants which is expected to be completed in 2007. On this basis, the development is expected to be commenced thereafter and will be completed in 2010.

ZHONGSHAN

The Group wholly owns a project located in the western district of Zhongshan with a site area of approximately 237,000 sq.m. The proposed development has a total GFA of approximately 350,000 sq.m., comprising mainly residential units with commercial spaces and ancillary facilities.

The project is currently in the planning stage. According to the current development schedule, the project is expected to be completed in phases from 2008 to 2010.

CORPORATE DEVELOPMENT

In June 2006, an indirect wholly-owned subsidiary of CapitaLand China completed the subscription for 1,610 million new ordinary shares of the Company at HK$0.40 per share, and thereby, CapitaLand China became a strategic shareholder of the Company holding 20% of the enlarged issued share capital of the Company. From this issue of new shares, the Company raised approximately HK$643 million after expenses.

CapitaLand China is a wholly-owned subsidiary of CapitaLand Limited ("CapitaLand"), a company incorporated in Singapore and whose shares are listed on the Singapore Exchange Securities Trading Limited. The CapitaLand group's assets mainly comprise residential and commercial real estate properties in Singapore, Hong Kong, Australia and China.

The Group considers that the subscription has enlarged the Company's equity capital base and the Group is poised to benefit from CapitaLand's experience and inputs in relation to property development and investment in China.

Chairman's Statement

LIQUIDITY AND FINANCIAL RESOURCES

The Group has diverse sources of financing comprising internal funds generated from the Group's business operations, bank borrowings on project basis and general bank loan facilities on secured basis.

As at 31st July, 2006, the Group had total borrowings in the amount of HK$1,056 million (2005: HK$996 million), representing an increase of HK$60 million from that as at the preceding financial year end. The consolidated net assets attributable to the equity holders of the Company amounted to HK$5,246 million (2005: HK$4,183 million). The resultant debt to equity ratio was 0.20 (2005: 0.24).

Approximately 96% of the Group's borrowings were on a floating rate basis at the balance sheet date and the remaining 4% were interest-free. As at 31st July, 2006, approximately 24% of the Group's borrowings were denominated in Renminbi ("RMB"), 18% were denominated in Hong Kong dollars ("HKD") and 58% were denominated in United States dollars ("USD").

The Group's monetary assets, loans, and transactions are principally denominated in RMB, HKD and USD. Considering that the exchange rate between HKD and USD is pegged, the Group believes that the corresponding exposure to exchange rate risk is nominal. The Group has a net exchange exposure to RMB as Group's assets are principally located in China and the revenues are in RMB. The Group is taking the view that RMB will continue to appreciate against HKD in the foreseeable future and the net exchange exposure to RMB will benefit the Group's financial position. As present, the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations involving RMB and USD. However, the Group will constantly review the economic situation and its foreign risk profile, and will consider appropriate hedging measures in future as may be necessary.

The maturity profile of the Group's bank borrowings as at 31st July, 2006 was spread over a period of ten years, with approximately 11% repayable within one year, 88% repayable between two to five years and 1% repayable over 5 years. The term loans of the Group have amortisation throughout the tenure. The Group is constantly negotiating with the borrowers in rescheduling the amortisation where necessary. Certain assets of the Group have been pledged to secure financing, including investment properties with carrying value amounting to approximately HK$3,180 million, service apartments with carrying value amounting to approximately HK$555 million, properties under development with carrying value amounting to approximately HK$476 million, a property with carrying value amounting to approximately HK$45 million, completed properties for sale with carrying value amounting to approximately HK$43 million and bank balances amounting to approximately HK$7 million at the balance sheet date.

Chairman's Statement

Taking into account cash held as at the balance sheet date, available banking facilities and the recurring cashflow from the Group's operating activities, the Group believes it has sufficient liquidity to finance its existing property developments and investment projects.

CONTINGENT LIABILITIES

According to a practice common among banks in China when providing mortgage financing to property buyers, the bank will require the property developer to provide a buy-back guarantee to secure the due performance of borrowers. The Group is currently providing a number of buy-back guarantees to banks that have granted mortgage loans to buyers of office space and residential units in Hong Kong Plaza, Phase I of Regents Park, and Phases I to IV of Eastern Place. The Group's obligations have been gradually relinquished along with the settlement of the mortgage loans granted by the bank to the end-buyers. As China's property market is currently stable, the management does not expect such contingent liabilities to crystallise to a material extent in the near term.

EMPLOYEES AND REMUNERATION POLICIES

As the employer of approximately 750 staff, the Group recognises the importance of maintaining strong human resources in its continued success. Under the Group's existing policies, employee pay rates are maintained at competitive levels, whilst promotion and salary increments are assessed on a performance-related basis. Discretionary bonuses are granted to certain employees on a merit basis and in accordance with industry practice. Other staff benefits include a share option scheme, a mandatory provident fund, a free hospitalisation insurance plan, subsidised medical care and subsidies for external education and training programmes.

PROSPECTS

The Group principally focuses on property development projects located in prime areas in core cities in China including Shanghai, Guangzhou and Zhongshan. The Group currently has a sizeable rental property portfolio with an aggregate GFA attributable to the Group of around 200,000 sq.m., and has property under development and land bank with an aggregate GFA attributable to the Group of around 1 million sq.m. in Shanghai, Guangzhou and Zhongshan. Our property projects are all located in prime urban areas serviced by mass transit system or conveniently linked to transportation network within the city.

For our investment properties, the Group realises the upside potential in rental rates in Shanghai and Guangzhou in the next few years, given the strong consumer spending and office demand. Through improvement of tenant mix, renovations and facelifts, the Group will strive to improve the rental income from its investment properties.

Chairman's Statement

For our development properties, the Group has accelerated its property development schedule and expects the completion volume to increase significantly in the next few years. The Group is actively looking for property development opportunities in the core cities such as Shanghai and Guangzhou where we already have a strong presence. Other than the replenishment of land bank in Shanghai and Guangzhou, the Group will continue to seek development opportunities with our partners. As such, the Group has been studying the potential of Beijing and other major cities of China where such opportunities may materialise. Going forward, one of the key development strategies to be adopted by the Group is through co-operation with joint venture partners.

MANAGEMENT AND STAFF

On behalf of the Board, I would like to thank the Management and staff of the Company for their hard work and dedication. I would also like to express any appreciation of the continuous support of our shareholders and business associates.

Lam Kin Ngok, Peter
Chairman

Hong Kong
10th November, 2006