

## Chairman's Statement

With the retention of our significant cash resources, we intend to continue seeking out investment opportunities to take advantage of the current favourable global economic environment.



On behalf of the Board of Directors, I am pleased to present the Group's results for the financial year ended 31 December 2006 ("FY2006").

The Group reported a very significant improvement in net profit attributable to equity shareholders of the Company of HK\$90.2 million as compared with a net profit attributable to equity shareholders of HK\$5.4 million in the previous year. The improvement was due to higher profit contribution of HK\$66.9 million from its investment activities comprising mainly time deposits and trading securities, up by HK\$69.7 million as compared to a loss of HK\$2.8 million in the previous year. This, together with the recognition of net deferred tax benefits amounting to HK\$21.0 million, further boosted the Group's net profit for the current year under review. The latter is in line with the Group's accounting policy as it is probable that future taxable profits will be generated by the hospitality related services businesses and will be available to utilise against the benefits as recognised in the current year under review.

The Group, through its 85% subsidiary, SWAN Holdings Limited Group ("SWAN"), has most of its activities in the United States. The United States economy has continued to grow steadily throughout 2006 which translated into another year of healthy growth in 2006 in the hospitality industry. The resulting improvement in client hotels' operating results has benefited SWAN's hotel management business unit, Richfield, as its fee income is aligned to revenue and profits of its hotel customers.

## Barring unforeseen circumstances, the Group's performance in respect of its current hospitality related operations should remain profitable in 2007.

Richfield's fee income was also boosted by the signing of new hotel contracts during the year in review. SWAN's hotel reservation business unit, Sceptre, recorded a reduction in revenue in 2006 compared to prior year mainly due to cessation of providing hotel reservation services in the 4th quarter of 2005 to the 14 hotels in US owned by Millennium & Copthorne Hotels plc, a 52% subsidiary of City Developments Limited.

As a result of the aforementioned contraction of business in Sceptre, the Group's hospitality related services businesses recorded lower revenue of HK\$47.0 million, down by 26.2% or HK\$16.7 million as compared with HK\$63.7 million achieved in the previous year. Consequently, the Group reported a lower revenue of HK\$79.0 million, down by 6.5%, as compared with HK\$84.5 million in the previous year.

Basic earnings per share for the current year under review increased significantly to HK23.53 cents, up from HK1.41 cents in the previous year which was calculated on 383,125,524 ordinary shares in issue for both years. While Group's net tangible assets backing per share increased to HK\$1.75 as at 31 December 2006, up 13.6% from HK\$1.54 as at 31 December 2005. The Board proposed a final dividend of HK6 cents per share for the year under review.

### PROSPECTS

The hospitality industry in the US is projected to record another year of good growth in 2007. SWAN's business units should benefit from the benign industry environment in the coming year. We will continue to adopt a prudent approach in managing the businesses by ensuring costs are kept in line with the level of business activities. Richfield's new contracts signed in 2006 will continue to generate steady fee income in 2007 and positively impact the revenue stream of SWAN. Richfield is working on several potential contracts and is optimistic of converting several of these into multi-year contracts in 2007. Going forward, Richfield will be focusing on securing management contracts for larger hotels that generate higher fees and consequently better margins.

With the retention of our significant cash resources, we intend to continue seeking out investment opportunities to take advantage of the current favourable global economic environment. Barring unforeseen circumstances, the Group's performance in respect of its current hospitality related operations should remain profitable in 2007.

On behalf of the Board of Directors, I would like to thank our customers, business partners, shareholders, management and staff for their continued support during this past year.

### KWEK LENG BENG

Chairman

26 February 2007