

The Hong Kong hotel market remained bullish in 2006, supported by healthy growth in tourist arrivals. The property rental market also performed strongly, and the Group's property development at Victoria Road was completed in 2006.

Group turnover rose by 75% to HK\$920.9 million in 2006. Operating profit rose by 31% to HK\$340.8 million. Group profit after taxation, which included a lower unrealised surplus from the revaluation of investment properties, was HK\$422.7 million in 2006, compared to HK\$517.1 million in 2005. Earnings per share were HK\$1.34 (2005: HK\$1.64).

### HOTEL OPERATIONS

Visitor arrivals in Hong Kong rose 8% to over 25 million in 2006. This supports the strong performance of the Hotel segment. Average room occupancy at the Marco Polo Hongkong Hotel grew to 88% during 2006, and the average room rate had a 20% year-on-year growth.

### PROPERTY INVESTMENT

The Group's commercial area in the Marco Polo Hongkong Hotel and Star House registered favorable rental revenue growth in 2006. The retail units at the Star House were acquired in November 2005.

### PROPERTY DEVELOPMENT

The 60 Victoria Road residential development (total of 73 units) in Kennedy Town was completed in August 2006. Virtually all units have been sold as at 31st December, 2006.

### PROSPECTS

The near term outlook for the tourism and hotel industry in Hong Kong remained positive. The hotel manager will continue to optimise the performance of the Group's hotel. New investment opportunities will be considered with aim to improve the recurrent income base of the Group.

**Gonzaga W.J. Li**

*Chairman*

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