

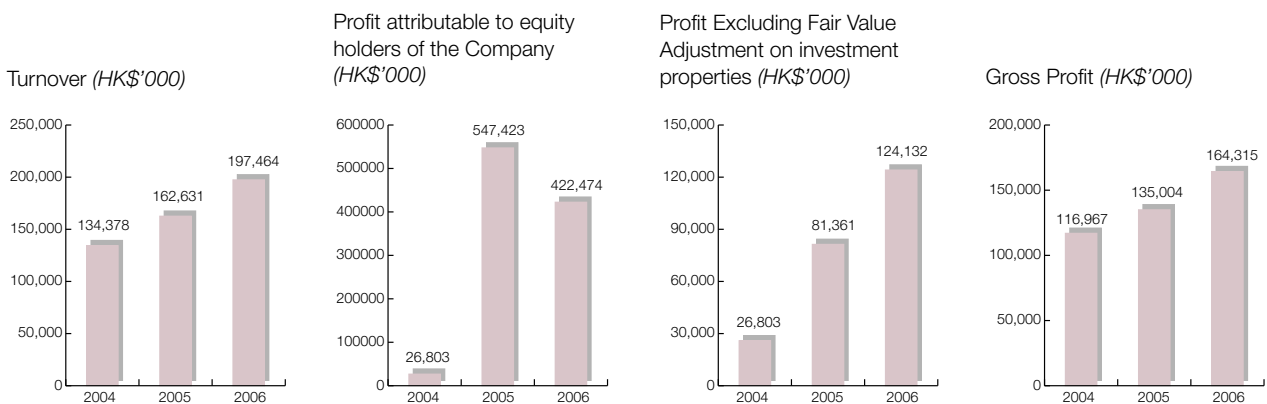
## BUSINESS REVIEW

### Financial Review

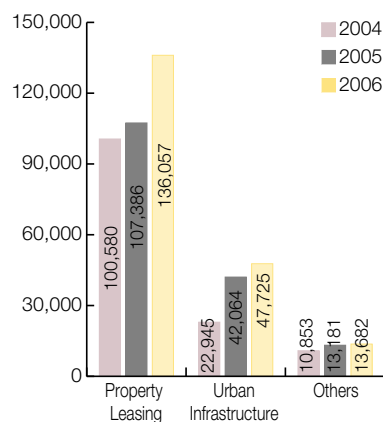
For the year ended 31 December 2006, the Group has achieved a profit attributable to equity holders of the Company of approximately HK\$422,474,000 (2005: HK\$547,423,000), a decrease of 23% as compared with last year. The decrease was mainly due to a decrease of HK\$167,717,000 on net gain on fair value adjustment on investment properties (net of deferred tax) as compared with last year. Earnings per share was HK\$1.90 (2005: HK\$3.41), representing a decrease of 44% over last year.

If the gain on fair value adjustment on investment properties (net of deferred tax) were to be excluded, the Group's profit for the year would be approximately HK\$124,132,000 (2005: HK\$81,361,000), representing an increase of about 53% as compared with last year.

For the year ended 31 December 2006, the Group has recorded a turnover of approximately HK\$197,464,000 (2005: HK\$162,631,000), representing an increase of about 21% over last year. The increase in turnover was mainly due to higher rental income contribution. The Group's gross profit for the year amounted to approximately HK\$164,315,000 (2005: HK\$135,004,000), representing a 22% increase as compared with last year.



Turnover (by Business Segment) (HK\$'000)

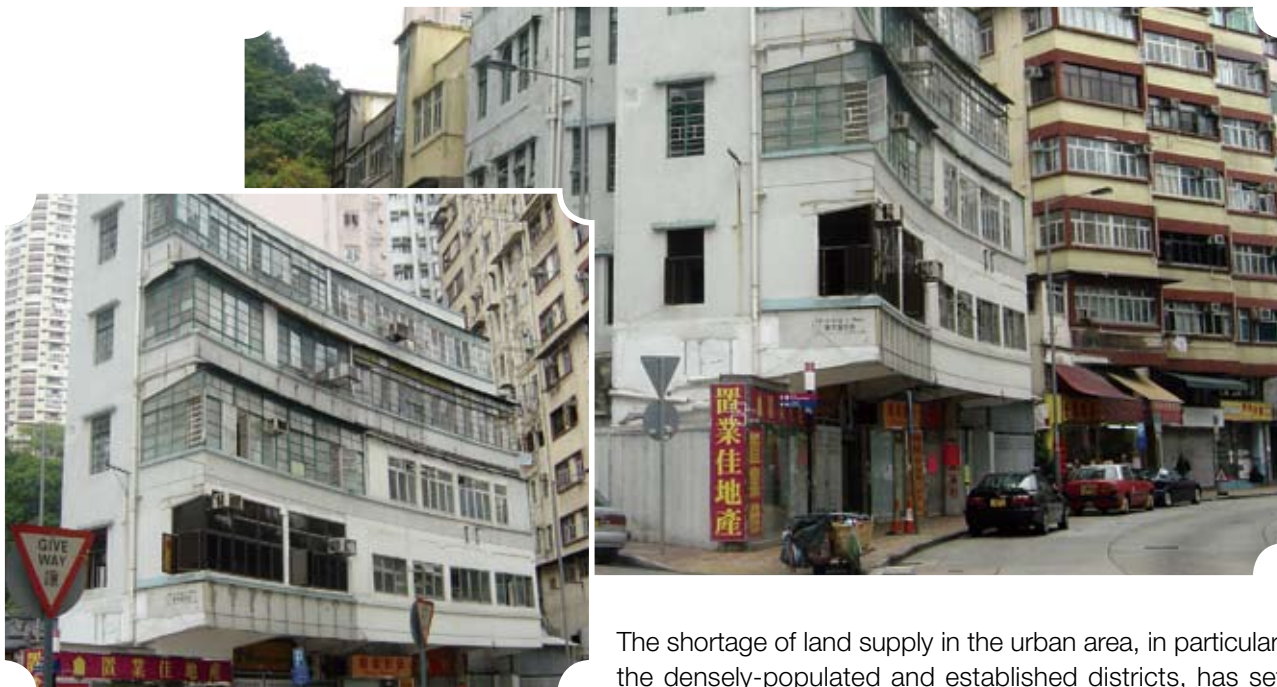


Financial Highlights

	31 December 2006	31 December 2005
Total Assets (HK\$'000)	4,615,965	3,885,653
Net Assets (HK\$'000)	2,602,542	2,177,890
Earnings Per Share (HK\$)	1.90	3.41
Total Borrowings (HK\$'000)	1,381,601	1,143,964
Gearing Ratio	53%	53%
Net Asset Value Per Share (HK\$)	11.69	9.80

### Urban redevelopment

During the year, the Group completed the acquisition of two sites for redevelopment with another two sites in their final stage of acquisition. One of the acquired sites at Lin Fa Kung Street West/Tung Lo Wan Road was disposed of during the year and generated a profit of approximately HK\$101 million, which was booked into the accounts for the year under review. The other three sites are also located in Causeway Bay.



The shortage of land supply in the urban area, in particular, the densely-populated and established districts, has set the scene for over-due urban redevelopment. Capitalising on its extensive experience, the Group had been actively seeking opportunities for redevelopment in vibrant urban districts during the year. It has commenced acquisition of property units in several specific sites, which has the potential for redevelopment. The Group's professional team of property experts is designated to identify acquisition opportunities, of particular prime sites on the Hong Kong Island. Given the Group's competitive edge in the industry, we believe the urban re-development operation will become a profit growth engine of the Group.

### Property Leasing

With a prospering retail market and a growing demand for retail property, the rental of Hong Kong's major shopping areas in Hong Kong, particularly those on the Hong Kong Island experienced a dramatic upsurge. Located in a prime location in Causeway Bay, Soundwill Plaza, the Group's flagship property, generated satisfactory return to the Group during the year under review. Soundwill Plaza enjoyed an occupancy rate of almost 100 per cent. The Group's income from property leasing of Soundwill Plaza rose by 23 per cent to HK\$109 million. The Group capitalised on the expiry of certain tenancy agreements to adjust the portfolio of its tenants. It has introduced a number of world renowned international brandnames to the commercial building's retail spaces, resulting in an enhanced image and overall value of Soundwill Plaza. International



brandnames were added to Soundwill Plaza's tenant list during the year, included Samsung and Nokia. The Group also leased out the building roof top advertising space, for the first time, to Toshiba for its giant neon sign display, in December 2006. Such a move served to bring in considerable additional rental income and broaden the income source of the building.

During the year, approximately 30 per cent of the leases of Soundwill Plaza expired. Since most of these leases were signed between 2003 and 2004, the Group was able to make upward adjustment to the rental according to the prevailing market level when renewing the leases. The new leases represented an average increase in rental of around 70 per cent, with the maximum increase of 145 per cent.

During the year, the Group has organised a range of promotional campaigns, including, the "Wedding in Guam" jointly organized with Guam Visitors Bureau, to assist the building's tenants to attract higher customer traffic and to enhance their turnover.

### Property Development

During the year under review, the Group has two property development projects located in Sai Kung and Yuen Long respectively. The Group's joint venture project in Sai Kung will be developed into low-rise semi-detached and detached luxurious residential blocks. The project, which features a relaxing living environment, is unique in its own right in the area. The project is expected to be completed and launched for sale in the second or third quarter of 2007.

The Yuen Long project is wholly-owned by the Group and is currently under architectural planning. It is intended to develop the project into a large-scale, low density residential community, with comprehensive facilities and a luxurious clubhouse. The project will commence development at the end of 2007.



### Business in the Mainland China

The Group's urban infrastructure development operation in the Mainland China began to generate profit in the year under review. The Group is currently undertaking the laying of underground communication ducts in 18 cities in the PRC. The urban infrastructure development operation is becoming mature and is expected to gradually increase in its profit contribution to the Group.

### Property Management, E&M and Building Maintenance

The Group has three property management and maintenance entities under its control. The entities are engaged in property and facility management services for large-scale commercial buildings, small and medium-sized residential properties, and shopping malls, and maintenance services for the properties under management. Revenue from these three entities during the year amounted to approximately HK\$13,628,000.



### Corporate Citizen

During the year, the Group actively involved in community activities by offering advertising spaces of Soundwill Plaza, the Group's landmark property, and its adjacent buildings to charity organizations for fund-raising and promotional campaigns. The Group's assistance to Senior Citizen Home Safety Association, Society for the Prevention of Cruelty to Animals and Mercy Corps resulted in considerable amount of fund raised. We will continue to actively participate in charity and community events and to keep up our social responsibility as a corporate citizen.



## PROSPECTS

The Hong Kong economy continued to grow in the past three years, while the local unemployment rate plummeted to a record low in six years. The market sentiment, in general, remains optimistic about the economy's outlook.

The Group believes the local property market will maintain steady with modest upsurge in 2007. Prices of high-end residential property with unique features and limited supply are expected to grow further.

The Group's low-density residential development in Sai Kung and Yuen Long are unique in the market. The recent enthusiastic market response to similar development launched in Yuen Long, proved that there was a substantial demand for high-end low-density residences in the market.

The Sai Kung project, which will be launched in the second or the third quarter of 2007, is expected to generate favorable sales revenue and profit to the Group in the financial year of 2007. The Yuen Long project is scheduled for construction at the end of 2007.

The Group expects to complete acquisition of two to three additional redevelopment projects, which are all in prime locations of the Hong Kong Island, in 2007. It is the intention of the Group to redevelop the projects acquired in the future and hold them as investment properties. In the long-run, this operation will provide the Group with the necessary land bank at a relatively lower cost, as well as potential for capital appreciation.

There is a pressing market demand for commercial and office spaces in Causeway Bay. The Group's Soundwill Plaza will, therefore, continue to generate stable recurring income for the Group. Approximately one-third, on average, of the leases of the building expire every year. It is estimated there will be a 10 to 20 percentage points of increase in rental for 2007. The Group will also carry on the fine-tuning of its retail tenant mix by introducing more well-recognized brands to the Soundwill Plaza.

For its business in the Mainland China, the Group has entered into new contracts in Yubei District in Chongqing, Xian and Jinan which will start to operate in 2007, it is expected that revenue generated from the Group's Mainland businesses will be further enhanced in 2007. In addition, according to the relevant co-operation agreements with the local authorities, the Group can participate in the construction of other piping networks for the provision of water, power and gas according to the development plans set out by respective municipal governments. The Group will further study the feasibility of providing such services.

The year 2007 is expected to be a fruitful year for all of the Group's business divisions. It will further intensify its business diversification by leveraging on its healthy financial position and strong cash flow, in order to develop a more diversified earning base for the Group.

