

## PROSPECTS

In contrast with the global economic slowdown, the PRC continues its growth momentum. Its entry to the World Trade Organisation, coupled with Beijing's successful bid to host the Olympic Games in 2008 will offer an impetus for the long term economic growth in the PRC. Favourable economic developments in the PRC will bode well for Hong Kong's economy as the territory acts as an important gateway to the PRC. As a result, the long term economic prospects for Hong Kong are positive.

In the short term, however, the recent tragic events occurred in the United States of America will undoubtedly have a negative impact on the global economy. The Hong Kong economy will inevitably be affected. Under the current uncertain times, the Group will continue to adopt a conservative cash management strategy and be very selective in seeking new investment opportunities.

The residential property market in Hong Kong should find support at the current price level on the back of significantly lower mortgage rates, supportive government housing policies and continuous population growth. The Group's property development strategies continue to be focusing on residential development projects located in prime areas where the supply-demand conditions are more favourable and strengthening its reputation for being a quality property developer. Currently, the Group is developing three major residential projects on the Hong Kong Island. Marketing of The Notting Hill project has commenced and marketing of Chuang's Lodge and The Harbourside will commence soon. Upon the sales of these projects, the Group's financial position will be further enhanced.

Regarding the outlook for the commercial property market, both the office and retail sectors are expected to face some downward adjustment pressure in rentals. In order to offset the negative impact of softening rental rates, the Group will put extra efforts to improve the yield by increasing the occupancy rates of its investment properties in Hong Kong.

As regards to the PRC property market, the strong economic fundamentals in the PRC should further propel its domestic housing demand and will underpin the demand for quality residential properties in the private sector. With the portfolio of about 40 million sq.ft. of land banks located mainly in Guangzhou, Dongguan, and Huiyang in the PRC, the Group, which produces quality housing, is well positioned to capitalise on the flourishing property market in the PRC in the coming years.

The Group's manufacturing investments are principally engaged in the manufacturing and sales of home finishing products, watches and watch components as well as commercial printing, magazine printing, book printing and packaging printing. The globalisation trend is bringing forth both opportunities and threats. To counteract in this new era, the Group continues to enhance our competitiveness by effective cost control, strong emphasis on value-added services to customers, broaden its customers base and product mix. In addition, the Group will also actively look for acquisition opportunities that will strengthen our manufacturing operations, in particular those that have suitable development prospects for the PRC domestic market.