

## Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the results of the Group for the year ended 31 December 2005.

### RESULTS

The consolidated Group net profit attributable to shareholders for the year 2005 amounted to HK\$122.36 million, an increase of 26% as compared to HK\$97.45 million in the previous year. Earnings per share for the year 2005 amounted to HK\$0.36 per share as compared to HK\$0.286 in 2004.

Shareholders should note that this is the first year when annual results published by the Company are on the basis of having adopted a number of new or revised Hong Kong accounting standards which took effect as from 1 January 2005. The most significant of these is the adoption of HKAS 40 in the accounting treatment of the Group's investment properties with the valuation gains or losses flowing through the income statement. Set out below are the effects of this accounting policy on the Group's profit attributable to shareholders.

	<b>Year ended 31 December</b>		
	<b>2005</b>	<b>2004</b>	<b>Increase</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to shareholders before taking into account valuation gains of investment properties and related tax effects	108,919	86,446	22,473 (26%)
Add:			
Net valuation gains	<u>13,444</u>	<u>11,000</u>	<u>2,444</u>
Profit attributable to shareholders	<u><u>122,363</u></u>	<u><u>97,446</u></u>	<u><u>24,917</u></u> (26%)

### DIVIDENDS

The Board is recommending that a final dividend of HK\$0.04 per share be paid for the year ended 31 December 2005. An interim dividend of HK\$0.04 per share has already been paid. Total dividends for the year will be HK\$0.08 per share.

### REVIEW OF OPERATIONS

Turnover for the Group increased by 45% to HK\$586 million, as compared to HK\$403.7 million in 2004.

A summary and analysis of the operations are as follows.

## Chairman's Statement (Continued)

### Macau

On the back of strong economic growth and low unemployment, the Macau property market continued its upward momentum in 2005. Total revenue from Macau, your Group's major area of operation, increased by 11% to HK\$205.4 million. Most of the revenue came from an increase in turnover arising from the sale of properties at **Ocean Gardens**, Macau. Satisfactory sale results were recorded by your Group's subsidiary in respect of the sale of Orchid Court, a luxurious residential block in Ocean Gardens. Profit before tax from Macau increased by 9%.

### Vietnam

**Sheraton Saigon Hotel & Towers and Executive Residences** This complex, which houses the premier hotel of Ho Chi Minh City, continued to perform well in 2005. The market for visitor arrivals to Vietnam, and to Ho Chi Minh City in particular, remained buoyant throughout the year. Occupancy rate for the hotel improved to 77% for 2005, as compared to 68% in 2004. Average room rate improved to US\$123 per room night, as compared to US\$100 in 2004. Total revenue from Vietnam increased by 87% to HK\$342 million. The hotel won a total of three awards in 2005, including the Best Business Hotel in Vietnam.

**Caravelle Hotel** For 2005, occupancy rate improved to 72%; average room rate improved to US\$103 per room night. Contribution to the Group's profit after tax improved to HK\$9.7 million. The hotel retained its position as one of the top hotels in Ho Chi Minh City.

### The People's Republic of China

**Holiday Inn Riverside Wuban** The hotel market in Wuhan remained competitive throughout 2005. With aggressive marketing and stringent cost control measures in place, the hotel managed to report a profit for the first time since opening in 1999. Turnover for the hotel increased by 13% to HK\$46 million for the year. Occupancy rate for the hotel improved to 69% for 2005, as compared to 62% in 2004. Average room rate improved to RMB342 per room night, as compared to RMB322 in 2004.

**Beijing Riviera Development** comprised a total of 635 units of luxurious villas and apartments. 439 units have already been sold. Of the remaining 196 units, 161 units were leased out as at the end of 2005. Rental income remained stable as compared to 2004.

### Canada

All three hotels reported improved results in 2005 as compared to the small profit reported in 2004, and the loss reported in 2003. The strength of the Canadian dollar in the first half of 2005 has somewhat deterred US visitor arrivals. There had not been any significant changes in occupancy rates and average room rates at both the **Doubletree International Plaza Hotel** and the **Sheraton Ottawa Hotel**. Conscientious control of operating expenses, however, resulted in both hotels reporting improved earnings for the year. For the **Four Points Hotel by Sheraton and Conference Centre** in Quebec, improvement in occupancy rates and room rates and reduced capital expenditures resulted in the hotel reporting a positive gross operating profit for 2005 as compared to a loss in the previous year.

### **PROSPECTS**

The property market in Macau, after witnessing dramatic increases in capital values during the period of 2003 up to the third quarter of 2005, began to consolidate towards the end of 2005. Underlying fundamentals, however, remain strong for the market, with strong economic growth led by overseas investments in Macau's gaming industry. The rise in the general wage level in Macau is expected to continue in the coming few years, thereby building a strong base for sustainable demand for residential properties. Your Group will continue to take advantage of its experience in this market, and will proactively seek opportunities to build a land bank.

Improvements in performance in your Group's hotels in Vietnam, China and Canada are expected to continue in 2006. Vietnam, in particular, is expected to continue to be a favoured destination for tourist as well as business travellers. The Sheraton Saigon Hotel and Towers, with strong management, an excellent location and good brand-name recognition, is well positioned to take advantage of this development.

The Wuhan hotel market, whilst growing, will remain competitive as a result of additional hotel room inventory being added. Your Group's Holiday Inn Riverside Wuhan, however, has built up a good reputation for good management and service quality and will be able to pursue goals beyond its fair market share.

Canada is a mature economy. The higher price of gasoline is beginning to impact the travel market. Your Group's hotels are well managed and are expected to continue to provide stable returns in the long run. Overall, your Group's hotels in Canada are expected to perform slightly better in 2006.

### **ACKNOWLEDGEMENT**

On behalf of the Board, I wish to express our sincere appreciation to the management and staff of your Group for their diligence, dedication and loyalty to the Group. Strong guidance and professional advice have also been provided by our independent non-executive directors, who have contributed valuable time and attention to the Group's affairs. The success of the Group owes a great deal to the collective efforts of all concerned.

**HO Kian Guan**

*Executive Chairman*

Hong Kong, 25 April 2006