

# 主席報告

## Chairman's Statement

### 業績及股息

截至二零零六年六月三十日止財政年度之營業額為港幣四十二億八千三百七十萬元，減少百分之四十二點七。股東應佔純利為港幣二十八億三千二百六十萬元，下跌百分之三十九。每股盈利為兩元一角二點八仙，較上年度下降百分之三十九點一。倘不計入重估盈餘及有關的遞延稅項，基本純利減少百分之四十九點二，由港幣十八億六千九百二十萬元減至港幣九億四千九百八十萬元；每股基本盈利為七角一點三仙，減少百分之四十九點四。

董事局建議派發末期股息每股四角一仙，較上年度增加百分之二點五。如獲股東批准，全年度每股股息總額將為五角五點五仙，較上財政年度增加百分之一點八。

### 業務回顧

營業額及溢利下降，主要由於本地樓市疲弱所致。迄今無人能圓滿解釋樓價為何下跌，一手市場銷情為何如此沉寂。二零零五年之成交總數少於一萬六千個單位，較上年近二萬七千個單位為低；二零零六年上半年僅售出四千二百個單位，是十多年來成交額最低的六個月。在二零零二年至二零零四年期間，每年成交額均接近九十年代的黃金歲月。如今，每個人對近期的弱勢均不明所以，就連它為何從去年十月開始，也是一個謎團。

部分人士歸咎於加息，這是原因但絕非唯一的原因。即使按揭利率一年內上升超過一倍，新按揭利率仍遠低於歷史水平。數十年來，股市和樓市有頗為明顯的相聯關係，近期股市相當壯旺，顯示兩者正分道揚鑣。香港人的置業意欲，從來都是變化無常，但為何現時新單位滯銷而二手市場暢旺？

新樓價格和成交量，一併於去年十月急轉直下，令人感到費解。僅一個月前，政府土地拍賣錄得出人意表的高價。歷史告訴我們，這對潛在置業者應有刺激作用。事實不然，倘有作用，亦只限於意外的方向——一手市場陷於沉寂。

### Results and Dividend

Turnover for the fiscal year ended 30 June 2006 decreased by 42.7% to HK\$4,283.7 million while net profit attributable to shareholders fell by 39% to HK\$2,832.6 million. Earnings per share was 212.8 cents, representing a drop of 39.1% from the year before. When excluding the revaluation gain and its corresponding deferred tax, the underlying net profit retreated by 49.2% from HK\$1,869.2 million to HK\$949.8 million, and the underlying earnings per share by 49.4% to 71.3 cents.

A final dividend of 41 cents per share is recommended by the Board which is 2.5% higher than last year. If approved, total dividends for the full year will be 55.5 cents per share, an increase of 1.8% compared to that of the last fiscal year.

### Business Review

The fall in turnover and profit is due primarily to the weak local residential market. So far no one has been able to adequately explain why prices fell and why sales in the primary market were so lethargic. 2005 saw the total number of transactions at less than 16,000 units, down from almost 27,000 of the year before. In the first half of 2006, only 4,200 new units were sold. It is the lowest six months in well over a decade. Between 2002 and 2004, annual volume approached that of the hey days of the early 1990's. Now everyone is at a loss regarding the recent weakness. Its onset last October was a conundrum.

Some blame the rising interest rate. That is a factor but certainly not the only one. Even after more than doubling in a year, the new mortgage rate is still well below the historic norm. For decades there was a fairly clear correlation between the stock and the residential markets. The former has been quite strong of late, so there is a disconnect. As always Hong Kong people's sentiments toward buying properties are fickle, but why are new units not moving while the secondary market was strong?

The sudden downturn in both price and transaction volume of new apartments last October is hard to understand. Only a month before, surprisingly high land prices were achieved at a government auction. History tells us that this should have stimulating effects on potential home buyers. It did not, and if it did, it was in the unexpected direction – the primary market fell silent.

無法解釋樓市為何下跌，引申出最不利的影響：我們不知樓市何時復甦。我們不知從何處著眼為準，只能盼望現時利率見頂及股市維持強勢的情況下，低迷的置業意欲會有所改善。

所有這些現象亦不外是市場的週期性變化。對吾等業務的未來起著更大影響者，乃地產業的結構性轉變。簡略回顧過去，對未來應有啟示作用。

從六十年代後期起的三十多年期間，地產業日益成為香港經濟支柱。部分最大的上市公司均從事地產業。置業安居及/或以此投機炒賣，成為男女老少普遍共同夢想。許多家庭於週末的好去處是參觀新樓盤示範單位，當中部分家庭短期內並無任何置業計劃。這必然是世上其他地方難得一見的獨特現象！大量財富集中在十餘名發展商之手，較小量的財富則分散在數以萬計的散戶中。後者不乏專業和半專業炒家，但亦有許多業餘人士——醫生、教師、銀行出納員、家庭主婦甚至藍領工人等。

地產造就許多富戶，但較少人提及的是那些破產或幾乎破產者。即使大戶亦不例外——每十年便有數個高知名度的大戶出局。樓市每次暴挫時，急劇波動的樓價總留下一大堆殘骸。幸而樓市數十年來整體上持續上升，造就的贏家多於輸家。

另一項世上其他地方從來不見的現象是，當大型上市地產公司的規模壯大時，其控股家族卻常能保持絕對控制權（例如持有公司百分之三十五至百分之六十五的股份）。就一個甚為資本密集的行业及其公司達百億元甚或千億元計的市值來看，上述現象是不可思議的。它可以出現，是由於八十年代後期及九十年代初期前，股市監管仍有待改善。在這些歲月，發展商雙管齊下——他們不單從地產圖利，亦從其公司股份圖利。由於兩者的波動性均甚高，故發展商於市況熾熱時向公眾出售物業及/或發行公司股票，並於市況逆轉時購置土地或購回股份。這是一生難得的機會！更佳的是，這個遊戲容許所有人進場——幾乎所有現今大型的發展商，於六十年代及七十年代起家時均無甚資本。

許多原因導致香港物業價格位於全球最高行列。地理方面，香港地小人多。第二次世界大戰後的數十年間，大量移民不斷從北面湧入。一九七九年前，當中國內地仍把世界拒諸門外時，香港因作為中國的世

The worst implication of not being able to explain the downturn is that we will not know when it will recover. We do not know where exactly to look. We can only hope that now as the interest rate rise plateaus and the stock market remains robust, the fickle sentiments will somehow improve.

All these are but cyclical movements in the marketplace. Of much more significance to the future of our business are systemic changes in the real estate industry. It is useful to review briefly the past to shed light on the future.

Over a period of some three decades beginning in the late 1960's, real estate has increasingly become a pillar of the Hong Kong economy. Some of the biggest listed companies are in this sector. Buying apartments for homeownership and/or speculation became a common pursuit of our citizens young and old. A popular weekend outing for many families was to visit show flats of new projects, even though some of them had no plans to purchase any time soon. This must be a unique phenomenon not seen almost anywhere else in the world! Huge amounts of wealth were concentrated in the hands of a dozen or so developers while smaller sums were spread over tens of thousands of lesser players. Professional and semi-professional speculators abounded, but there were also many amateurs – doctors, teachers, bank-tellers, housewives and even blue-collar workers, etc.

While real property has made many rich, less spoken of are those who were bankrupted or almost bankrupted. Even major players were not spared – in each decade a number of high profile ones were wiped out. Severe price volatility left a pile of wreckage in each market downturn. Fortunately the overall rising market that lasted decades has created more winners than losers.

Another phenomenon unseen elsewhere in the world was that as publicly listed property companies grew in size, the controlling families were somehow able to maintain absolute control, holding say between 35% and 65% of company shares. For a heavily capital intensive industry, and given firms with tens and even hundreds of billions of dollars in market capitalization, this is unthinkable. This was made possible before the stock market became better regulated in the late 1980's and in the early 1990's. In those days developers had a double-play – they made money not only in real estate but also in their own shares. Given high volatility in both, they sold buildings and/or issued company stock to the public when they were hot, and acquired land or bought back shares when the markets reversed. It was an opportunity of a life time! Better yet, the game was open to all – almost all major players today started with basically nothing in the 1960's and 1970's.

There are many reasons why Hong Kong real estate prices became some of the highest in the world. Geographically we are small yet densely populated. In the decades after World War II, streams of immigrants from the north flooded the city. When mainland China was closed off to the outside before 1978, Hong Kong benefited as

界之窗而受惠。自鄧小平先生上台後，中國決定開放門戶，需要資金、技術和海外市場，故香港再次扮演重要的角色。在這兩段期間，香港經濟是最大得益者。毫無疑問，倘過去六十年內地沒有踏上這條獨特之路，香港地產業決不會這麼長久地持續興盛。

導致香港物業價格高昂的更直接原因，是前港英政府的高地價政策所致。政府從不承認有這項政策，但若沒有，為何要六百多萬人擠在少於香港總面積百分之十八的土地上？這成就了一個精彩但不光彩的計劃：香港不僅節省了基建開支，並由於政府擁有全部土地，故賣地收入及物業相關交易的稅收，為庫房帶來可觀收益。在某些年度，這些收入佔政府每年收入達百分之四十的比重。這令香港可維持低稅制，而高樓價亦可令市民感到富足，所產生的財富效應除刺激消費外亦帶旺許多其他行業。

縱使八十年代利率高企，同期因中英就香港回歸進行談判而導致政治不穩，均未能遏止樓價上升。雙方政府協定每年的土地供應以五十公頃為上限，令香港樓價穩企於高水平。除稍有阻滯外，牛市持續約十三年。一九九八年年初，當亞洲金融風暴淹至，牛市告一段落。

對幾乎所有發展商來說，其後五至六年是痛苦的。本公司是極少數預先作好準備的發展商，事實上亦從此變得更加壯大。由於當中的詳情對本文的討論並不重要，故本人不擬細談。只須說明，亞洲金融風暴所帶來的衝擊，無論多麼嚴峻及歷時多麼長久，最終亦會煙消雲散，皆因這些影響只是週期性的。（然而，正如本人數年前撰述，亞洲金融風暴的基本成因是結構性的。）更為深遠的影響是，於一九九七年前令樓價高企的基本因素已被改變——並甚有可能是永遠改變。這是香港社會（包括許多發展商）須要面對的事實。部分人士未有適當地分析情況，其他人則不願面對現實。

首先，高地價政策不能再施行。這並非由政府決定，而是由遠較一九九七年前更民主的香港社會的主流意見所決定。最大的聲音縱不理性的，亦會搶先入耳。表面上，低地價和廉價房屋可保障社會的清貧人士。然而，現時被視為較貧窮的香港市民當中，超過百分之四十已享有政府資助房屋或極相宜租金（順帶說，這些租金不足以支付維修）！而在大部分的情況下，他們亦無須繳納薪俸稅。

its window to the world. Once the country under Mr. Deng Xiaoping decided to open its doors, China needed capital, technology and overseas markets. Again Hong Kong played a pivotal role. In both periods, our city's economy was the chief beneficiary. There is no question that without the unique path treaded by the mainland in the past few decades, our real estate sector could not have been so vibrant and for so long.

A more direct cause of exorbitant property prices was the high land price policy under the then British government in Hong Kong. The colonial administration never admitted to having such a policy, but if not, why squeeze the 6 million plus population onto less than 18% of the total land mass? This turned out to be a brilliant if not dubious scheme. Not only did the city save on infrastructure costs, but since the government owned all the land, its coffers were overflowing from the sales of land and property related transaction fees. In certain years, these accounted for as much as 40% of annual government income. This enabled us to maintain a low tax regime. High residential values also made our citizens feel good, hence a wealth effect which stimulated consumption and brought up many other industries.

Even the high interest rates of the 1980's and the concurrent political uncertainties due to Sino-British negotiations over Hong Kong's return to China were unable to stop the price rise. The agreement between the two governments to limit annual land supply to 50 hectares ensured that property prices remained high. With minor hiccups, the bull market lasted some thirteen years. It ended in early 1998 as the effects of the Asian Financial Crisis set in.

What happened in the ensuing five to six years was painful to almost all developers. Your Company was one of the very few well prepared for it and had in fact become much stronger. Details of what transpired are immaterial to this discussion so I will not go into them here. It suffices to say that as severe and long-lasting as the downturn was, the impact of the Asian Financial Crisis would eventually go away for the effects were cyclical in nature. (The root causes of the Crisis were, however, systemic as I had written years ago.) Much more significant was that the fundamentals which kept property prices high before 1997 had been altered – most likely permanently. This is a fact that our society, including many of our developers, has yet to confront. Some did not analyze the situation appropriately, while others did not want to face reality.

First, high land price policy can no longer be practiced. It is not so much a government decision as it is the prevailing sentiment of a society which is now much more democratic than pre-1997. The loudest voice is the one heard even though it is not rational. Low land prices and affordable housing ostensibly protect the have-nots of society. However, over 40% of our supposedly poorer citizens are already enjoying subsidised government homeownership or cheap rents which incidentally are not sufficient to pay for maintenance! For the most part, they also pay no salary taxes.

此外，最少有同樣數目被視為中產階級的市民，現已是私人房屋業主。他們辛勤工作以登上這個地位，並事實上透過支付薪俸稅和高樓價（這在概念而言可被視為另一方式的稅項）來資助首群人士。彼等實際上希望其單位升值，並支持高地價政策。但正如在任何其他地方一樣，由於大多數中產階級保持沉默，不理智的聲音便在社會上充斥。後者並不察覺地產市場欠缺生氣所帶來的負面影響，或對此漠不關心。如今，任何斗膽提倡高地價的人士，會被視為稅吏或罪人。

同樣重要但更少被人討論的事實是：中國內地對香港的需要正在下降。當然，香港的用處不會很快全部消失。低稅率、優良的司法制度及貨幣政策，可確保香港在可見將來仍是金融中心。但除此以外，香港以往的優勢正逐一消失。八十年代期間，製造業逐漸完成北移。到九十年代，較低薪的服務業職位（例如後勤辦公室職位）亦相繼北移。如今，在新千禧年代，專業職位亦開始遷離香港。不久前，除食水和食物外，幾乎每樣物品均倚賴香港供應的中國內地，如今日益成為香港的競爭對手。這是無可避免的——對抗變化是白費氣力，置之不理是愚昧之舉。

隨著經濟活動的支點北移，誰人留在香港置業？當然會有，但數目會日漸減少。我們可達至新的均衡點，但現時離它尚遠。換句話說，情況會進一步惡化才可穩定下來。

隨著香港和內地經濟融合，某些社會現象便會出現。成本差距將推波助瀾。更多香港市民會在內地置業，包括以此作為第二居所或週末度假屋的人士。畢竟，內地每樣東西都較為便宜，香港的零售商會因而失去生意。此外，部分港人會在內地結婚或退休。所有這些現象，均對香港地產市場帶來影響。

內地發展必然令香港吃虧？理念上並非必然。全世界正絡繹不絕踏足中國，誰人較港人有更佳的裝備？我們分享同一的語言和文化，而作為首批因公務或旅遊而進入內地的訪客，我們對內地有更深入的认识。地理上，我們處於內地的大門，這個位置是無可取代的。我們甚至獲北京給予特權，例如「更緊密經貿關係的安排」（「內地與香港關於建立更緊密經貿關係的安排」），並每年接待數以千萬的內地旅客來港。

Then at least an equal number of our citizens who are considered middle class are already owners of private housing. They worked hard to achieve that status and are in fact subsidizing the first group through salary taxes and high residential prices which conceptually can be seen as another form of taxation. These people actually want to see their apartments rise in value and prefer the high land price policy. But as everywhere else, the silent majority of the middle class do not speak up so the irrational voices dominate society. The latter are unaware of the negative effects of a listless real estate market or are unconcerned. Anyone who now dares to advocate higher property prices is considered a publican and a sinner.

Just as critical but even less discussed is the fact that mainland China's need for Hong Kong is diminishing. To be sure, our usefulness will not quickly disappear altogether. Low taxation, an excellent judiciary, and our currency will keep Hong Kong as a financial center in the foreseeable future. But beyond that, our previous advantages have been disappearing one by one. Throughout the 1980's manufacturing jobs have gradually finished migrating north. In the 1990's, lower paying service positions such as back office functions have followed suit. Now in the new millennium, professional posts are beginning to leave as well. Mainland China which not long ago depended on us for almost everything except water and food is now increasingly becoming our competitor. It is inevitable – fighting it is futile and ignoring it is foolish.

As the fulcrum of economic activities moves north, who are left in Hong Kong to buy our apartments? There will of course be some but the number will become less and less. A new equilibrium will be achieved but we are far from it. In other words, things will deteriorate further before they stabilize.

As our society and that of the mainland integrate economically, certain social phenomena will happen. Cost differentials will take its toll. More and more of our citizens will buy housing on the other side, including those who purchase second homes and spend weekends there. After all, everything is cheaper and Hong Kong's retailers will lose out. Some will get married or will retire there too. All these affect our property market.

Must Hong Kong lose out as the mainland develops? Conceptually no. The whole world is beating a track to China and who is more well-prepared for it than we? We have the same language and the same culture. We have a higher familiarity with the mainland, having been the first to enter either for business or as tourists. Geographically we are right at the door, a position that cannot be replaced. We are even given special privileges by Beijing such as CEPA (Closer Economic Partnership Arrangement) and tens of millions of tourists arrive annually.

香港的問題，在於這個數十年來以經濟掛帥的社會，現已由政治當家。更糟者乃聲音最大兼且也許最富技巧的政客，在意識形態上與北京有衝突。他們對中央政府的深層猜疑，嚴重損害香港經濟。香港應採取相反的做法，盡可能消除貿易和商業屏障，與內地經濟融合。在這方面，沒有不可解決的困難，唯一的棘手問題是本土政治。本人對短期內解決這問題，並不抱樂觀態度。

因此，難以看見香港地產業的輝煌前景。為免被指官商勾結，政府不時向社會聲音低頭，有時對商界作出不合理的苛求。如今政府罕有地拍賣土地時，一群財力雄厚的公司因求地若渴，故張牙舞爪地爭奪土地。

所有發展商均應提問：我們為何要參予這個遊戲？一個好理由是別無選擇。然而，本公司的管理層拒絕受此限制。集團數年前已洞悉上述問題，並透過旗下主要附屬公司恒隆地產努力在內地開發更多市場。過去十四年，集團在上海的成功超越預期，我們會以此作為發展基礎。本人相信，集團享有輝煌的前景。這並不代表我們會放棄香港本土市場。地產業甚為波動，機會不時浮現。我們已準備抓緊機會，惟我們的基本焦點會日益北移。

### 展望

數年前，我們透過恒隆地產採取全新策略，在上海以外的多個內地城市興建世界級商業物業。去年度，我們取得初步成功，證明計劃可行後，便公布有關策略。經過再一年的努力，我們現更肯定這個夢想可成為事實。

然而，我們絕不會低估當中涉及運作的許多困難，它們令人在中國內地經商時甚為沮喪。由物色地點及購置土地開始，每一步都是一項挑戰以磨鍊我們的耐性、考驗我們的技巧。但正如我們在上海的經驗證明，努力不懈會帶來回報。截至今天為止，恒隆地產已簽訂五個項目，每個項目界定所需約港幣二十億元至港幣二十五億元。我們抱有希望，在本財政年度結束時，我們可擁有八個或九個項目，而目標是在下一財政年度擁有合共達十二個項目。

這兩年的重要工作是購置土地，它涉及前往勘察數十個大城市及決定最佳之選。這不僅取決於我們對有關城市的經濟前景評

Hong Kong's problem is that after being an economically-led society for decades, it is now dominated by politics. Worse yet, the loudest and perhaps the most skillful politicians have an ideological problem with Beijing. Their deep suspicion of the central government is severely damaging our economy. What should be done instead is to break down as many trade and business barriers as possible, and to integrate economically with the mainland. In this regard, no difficulties cannot be tackled; the only intractable one is local politics. I am not optimistic that it will be resolved any time soon.

Given that, it is hard to see a bright future for the real estate industry in Hong Kong. Bowing to societal noise yet again, the government has to be at times unreasonably tough on businesses in order to avoid being accused of collusion. When there is a plot of land for sale which is rare these days, a pack of hungry and financially strong firms fight tooth and nail for it.

The question all developers should ask is: why should we play this game? One good reason is that there are no alternatives. Your management, however, rejects that position. Recognizing several years ago the problem described above, we through our major subsidiary Hang Lung Properties (HLP) have strived to open more mainland markets. Successes in Shanghai for the past fourteen years have exceeded our expectations and we will build on them. Our future I believe is bright. That does not mean that we will give up our home market. This business is very volatile and opportunities will from time to time surface. We are ready for them although our primary focus will increasingly shift to the north.

### Prospects

Several years ago, through HLP we embarked on a totally new strategy of building world-class commercial complexes in a number of mainland cities besides Shanghai. We announced it last year after some initial success which gave us assurance that our plan is feasible. After another year of labor, we are now more certain than ever that our dream can become a reality.

We should, however, never underestimate the many operational difficulties; they make doing business in mainland China extremely frustrating. Starting with the identification and purchase of land, every step is a challenge which stretches our patience and tests our skills. But as our experiences in Shanghai demonstrate, perseverance pays off. As of today, HLP has signed up five projects with each defined as requiring approximately HK\$2 to \$2.5 billion. We are hopeful that by the end of this fiscal year, we will have eight or nine. Our goal is to reach a total of twelve the following year.

The critical task in these two years is land acquisition. It involves traveling to and studying dozens of metropolises and picking the best. That is determined not just by our assessment of the economic

估，亦取決於我們能否在合適地點找到稱心土地。後者經常成為我們進入或放棄一個我們喜歡的城市的關鍵因素。

當我們購入土地後，市政府通常需要一年至兩年清理土地。我們把握這段時間進行概念設計及建立管理團隊，後者與購置土地所涉及的挑戰不遑多讓。

在本財政年度內某個時間，我們首個新項目便會動工。由於大型項目須分期發展，未來五至七年或更長時間內，管理層會忙於進行有關工作。首座物業大樓應可於二零一零年落成，其後可望每年在市場推出兩至三項綜合物業，令集團的市場推廣及租賃隊伍甚為忙碌，之後便是物業管理工作。我們預期，來自內地的租金收入，有一天會超越香港。

我們的前路已清楚鋪列。管理層於未來數年的焦點是「執行」！在這過程中，我們會開始思索集團內地發展策略的第三期。（第一期於一九九二年開始，於今年後期便會完結，期內我們專注於一個城市——上海，在當地從事兩個大型商業項目。在第二期，我們會在八個或九個其他城市興建約十二個大型商業項目。）管理層對第三期已有一些頭緒，但現時把構思落實仍屬過早。目前，我們會雙倍努力執行現有策略。

香港方面，我們希望在本財政年度內，可出售恒隆地產持有的已落成住宅單位，所得溢利會供發展恒隆地產的內地新項目。連同租金收入在內，未來三年的現金流入總額，應差不多足以完成該十二個項目之全部或大部分。這說明本公司和恒隆地產之財政均甚為穩健。

在較近的未來，由於港匯廣場之辦公室大樓及其兩幢寓所大樓剛落成，故來自上海的租金收入會有良好增長。本公司擁有上述物業百分之六十六點三權益及上海恒隆廣場第二幢辦公室大樓百分之八點五權益。後者將於今年底供租客遷入，但其為純利帶來的影響須至下財政年度方能完全顯現。總括而言，倘無不可預見的情況出現，全年度的業績應可較去年為佳。

主席  
陳啟宗

香港，二零零六年八月二十一日

future of a city but also by our ability to find the most appropriate site in the right location. The latter more often than not becomes the critical factor for our entering a city we like or abandoning it.

Delivering a cleared site by the municipal government usually takes a year or two after the land is purchased. This period of time is used for conceptual design and the building of a management team for that city. The latter has proven to be almost as challenging as land acquisition.

Some time within this fiscal year, actual construction of our first new project will commence. For the next five to seven years if not longer, given the phasing of the extra large projects, your management will be occupied with these activities. The first completed building should be ready by 2010. Thereafter, two to three complexes will hopefully reach the market each year, making our marketing and leasing team very busy. Property management will follow. We can look forward to the day when rental income from the mainland will surpass that from Hong Kong.

The path is clearly set before us. In the coming years, the key word for management will be 'execution!' Somewhere along the way, we will begin contemplating Stage III of our mainland strategy. (In Stage I which began in 1992 and will end later this year, we concentrated on one city – Shanghai – with two huge commercial developments. In Stage II, we go to eight or nine other municipalities to build about twelve sizable commercial projects.) Your management already has some initial ideas but it is still too early for our thinking to solidify. For now we will redouble efforts to execute the existing strategy.

Back in Hong Kong, we hope to sell in this fiscal year completed residential units held by HLP. The profits will go to feed its new mainland projects. Together with rental income, total cash inflow in the coming three years should be almost sufficient to complete most if not all twelve complexes. This shows that both your Company and HLP are very strong financially.

In the more immediate future, rental incomes from Shanghai will rise nicely as the office tower and the two apartment blocks at The Grand Gateway are just completed. Your Company owns 66.3% of each of them. Tower II of Plaza 66 where we have a 8.5% stake will be ready for occupancy end of this year. Full impact on the bottom line will, however, not be felt until the next fiscal year. All in all, and barring unforeseen circumstances, full year results should be better than those of the previous year.

**Ronnie C. Chan**  
Chairman

Hong Kong, 21 August 2006