

REVIEW OF OPERATIONS, OUTLOOK AND STRATEGY

Business Review

Property Division

Hong Kong

The main projects under development are as follows:

Baker Street, Hung Hom – a 32-storey commercial-residential development with a total gross floor area of approximately 55,000 sq.ft. Superstructure work has reached the 20th floor level and sales were launched in early December 2001 for which the response was encouraging. Completion is scheduled to take place in mid 2002.

Pak Shek Wo, Sai Kung – a 15 detached house development with a total gross floor area of 18,000 sq.ft.. Access road construction and site formation work has commenced since September 2001. The project will be scheduled to put on the market in mid 2002.

Chuk Kok, Sai Kung – this piece of land with a site area of about 30,000 sq.ft. acquired through government auction in December 2000 will be developed into 10 detached houses with a total gross floor area of approximately 12,000 sq.ft.. Site formation works will be commenced in early 2002.

Anchor Street, Tai Kok Tsui – a 21-storey hotel development with 143 rooms with a total gross floor area of approximately 46,000 sq.ft.. Town planning application for hotel development has been approved.

Kau U Fong, Central – a piece of vacant land for commercial use to be developed into a 31-storey hotel development with 151 suites, covering a total gross floor area of approximately 63,000 sq.ft.. Demolition work was completed and building plans for government approval was submitted. Site work will commence upon approval thereafter.

Tan Kwai Tsuen, Yuen Long – this project consists of 62 units of 4-storey apartments with a total gross floor area of 52,000 sq.ft., is in the process of applying land exchange and access road formation.

Sheung Yeung, Sai Kung – it is proposed to build 24 village houses with a total gross floor area of 50,000 sq.ft.. Building work on Phase 1 with 4 houses will commence soon. Other phases will follow depending on government approval schedule.

Hung Shui Kiu, Yuen Long – a 7-storey residential development with a total gross floor area of approximately 38,000 sq.ft., is currently in the process of applying land exchange.

Fung Lok Wai, Yuen Long – raw land area with approximately 8,610,000 sq.ft., will be developed into a residential project. The Group has an effective interest of 21.66% in the project after the acquisition of an additional 15.33% for HK\$120,000,000 during 2001.

Hong Kong 26 Court, Mid-level, Central – an existing residential block of units acquired and will be held for rental purposes.

China

California Gardens – this project in Shanghai continues contributing healthy profit to the Group and over 2,300 homes have been sold. Construction work for over 1,000 homes has been commenced with proposed sale in mid 2002.

New Time Plaza, Guangzhou – the Group owns 45% of this project which consists of a completed 8,000 sq.m. auxiliary building and a 29-storey residential tower of 27,000 sq.m.. Preparation for the construction work of the residential tower is in progress and sales will be launched soon.

Malaysia

Karunmas Ehsan – this project consists of a total of 812 units of terrace house, condominium, low cost flats and shop offices. Phase 1 and 2 totaling 426 units of terrace houses have been 95% sold and in Phase 3, comprising 240 units of condominiums, have been 70% sold.

Taman Teluk Gedong Ludah – this project consists of 628 units of terrace houses and 200 units of low cost flats. About 80% of the terrace houses have been sold.

Australia

St. Kilda Road, Melbourne – about 92% of 120 units of office suites at 370 St. Kilda Road have been sold as at 30th September, 2001.

The construction of the residential apartments at 360 St. Kilda Road has been completed in September 2001.

Flinders Wharf, Melbourne – the Group has a 50% interest in a high-class residential development of 301 units located on the Yarra River in the city of Melbourne in the vicinity of the Melbourne Exhibition and Convention Centre and the Crown Casino. Sales commenced in June 2001 with about 80% sold to date. Construction work will commence in early 2002.

Hotel Division

Dorsett Garden Hotel and Dorsett Seaview Hotel – the Group operates two 3 stars hotels in Hong Kong, with a total of 356 rooms. The Dorsett Garden Hotel and Dorsett Seaview Hotel maintains an average occupancy rate of over 92% and 85% respectively during the period. The two hotels continue to provide a steady income to the Group.

Dorsett Regency Hotel, Kuala Lumpur – with 320 rooms, continues to perform well during the period.

Dallas Grand Hotel, USA – with 700 rooms plus convention facilities, will be refurbished and upgraded to enhance its occupancy rate and to meet the growing demand of rooms in the expanding convention market in Dallas in the years to come.

Industrial and Infrastructure Division

The boiler factory in Guangzhou had a moderate performance. The Board believes that the operation of the boiler factory will gradually improve.

The Company has acquired a 68% interest in the 44 km of the National Highway 311 in Henan Province which has been fully operational since January 2001 with two-ways tollroad collections. The Company expects this investment will contribute a satisfactory return.

Recurrent Income

The Group's rental income comes mainly from four commercial/office buildings in Hong Kong.

The occupancy rate of leased tenants maintained 90% during this review period.

Employees and Remuneration Policies

The number of employees as at 30th September, 2001 was approximately 1,500. Employees are remunerated according to nature of the job and market conditions.

Corporate Strategy and Outlook

The Group has full confidence in Hong Kong and will utilise its financial capabilities to concentrate on property development in Hong Kong and China. At present, our focus in China is to build middle-class link-houses in the "California Garden" in Shanghai and will intend to do the same in other major Chinese cities in future.

With regard to the continuing project developments in Hong Kong, we have launched our Bakerview property sales in December 2001. The initial response from the market is encouraging. We are cautiously optimistic that the property development profits will be steady in the next five years following the financial year ending 2002.

In order to achieve our corporate objective and to yield steady growth in and to enhance return on our assets, we will continue to:

- (a) dispose of our overseas assets and the non-core businesses in the Group;
- (b) strengthen our investment in 3 and 4 stars hotels in Hong Kong and China to meet the emerging demands of tourist occupancy for the advent of 2008 Beijing Olympics in China;
- (c) build quality and price competitive properties for sales; and
- (d) strive for management creativity, transparency and excellence.

On behalf of the Board

DAVID CHIU

Deputy Chairman and Chief Executive Officer

Hong Kong, 18th December, 2001