

Interim Report 2000 / 2001

Prospects

Embarking on 2001, the global economic environment appears to be showing signs of slowdown. After recording fast growth in recent years, consolidation is presently taking place in the U.S. economy. As a result, economic growth in major European and Asian countries are also adversely affected. However, recent timely actions of successive interest rate reductions adopted by the U.S. government will bring about positive impacts and it is anticipated that economic conditions in the U.S. will become stable in the near term. Separately, economic reforms which were successfully implemented in Mainland China in recent years have brought along significant achievements. It is anticipated that the economy in Mainland China will offer more investment opportunities after the country joins the World Trade Organisation and this will also form as a significant driving force to the economic growth of Hong Kong.

Since the beginning of this year, various measures promulgated by the Government relating to the housing and property areas have contributed towards stabilising local property prices and enhancing market demand for private sector property development. At the same time, local housing mortgage rates have seen a drastic fall due to increased competition for mortgage loan business by commercial banks in Hong Kong and decline witnessed in U.S. interest rates. As a result, the burden of servicing of home loans has now dropped to a historic low level locally, thereby greatly enhancing the affordability of end-users. As rental income from property generally exceeds mortgage interest expense at present, this is also favourable for property purchasers who are looking to acquire properties for investment purpose. Your Group plans to put up around 5,000 new residential development units for sale this year. With the majority of such developments being located at prime sites in the urban areas, these units are expected to meet well with current demands by the market. As for the office sector, grade A office properties recorded the largest increase in rental recently and showed an increase of around 70% as compared with that recorded as at the beginning of last year whereas rental for the sector as a whole showed an increase of around 20% over the same period. Also, your Group participated to jointly develop Phase II of the International Finance Centre situate above the Hong Kong Station of the Airport Express Railway which includes the development of 1.95 million sq.ft. of office premises, 0.5 million sq.ft. of retail shopping space and 1.1 million sq.ft. in gross floor area of hotel properties. The portion attributable to your Group amounted to approximately 1.3 million sq.ft. It is anticipated that this project will be completed in stages between 2002 and 2004. Pre-leasing activities of the new phase of this development will commence shortly. This development is located in the heartland of the central business district and is being built according to the most advanced and updated design and technical specifications. It is expected that the leasing of this project will meet with good market response and this will bring the aggregate revenue of the Group's rental income portfolio to a historic high level, thereby enhancing the stable income base of your Group in a substantial way. Further, with the steady contributions made to the Group's profits by its listed associates, the recurrent income base of your Group will continue to expand.

Your Group has consistently adopted a prudent business approach whilst remaining alert to actively pursue suitable investment opportunities occurring in the marketplace. In particular, the Group has generally taken a more defensive stance over the past three years ranking capital preservation as the prime strategic objective, with increment in investments primarily being made only for the purpose of enhancing the rental income base of the Group. With abundant capital and resources, your Group will always look out for investment opportunities which may arise from consolidation occurring in the marketplace and seek suitable investments to expand its business in a prudent manner. In the absence of unforeseen circumstances, it is anticipated that the Group will show better performance in the second half of this financial year as compared with that shown in the period under review.