

Interim Statement 2001

During the first half of 2001, the global economic environment has become more uncertain, with a particular downturn in the technology and communication industries. Against this background, the Grade “A” office rental market has become more subdued following significant rises in rentals experienced in 2000.

Despite these, our office portfolio achieved an occupancy of 98%. Our retail portfolio became home to some of Hong Kong’s largest “lifestyle” stores. We also continued to invest for the future. We consolidated our interests in the Lee Theatre Plaza and commenced the residential Bamboo Grove refurbishment project.

RESULTS

The Group’s rental income decreased by 10.6%. This is mainly due to rent reviews and relettings at lower rents. Net profit for the six months ended 30 June 2001 was HK\$306.4 million, 51.1% lower compared with HK\$626.1 million in the first half of 2000 which period recorded gains on disposal of investments in securities. Earnings per share were HK29.73 cents reflecting a corresponding decrease of 51%, against last year’s figure of HK60.63 cents.

DIVIDENDS

Your Directors have declared an interim dividend of HK10 cents per share (2000: HK11 cents). The dividend will be payable in cash with a scrip dividend alternative to shareholders whose names appear in the register of members on 21 September 2001. Shareholders who elect to receive the scrip dividend will be allotted new ordinary shares with a par value of HK\$5 each, credited as fully paid, subject to the Listing Committee of The Stock Exchange of Hong Kong Limited agreeing to grant the listing of, and permission to deal in, the new shares to be issued by way of scrip dividend. A circular containing details of the scrip dividend and the form of election will be mailed to shareholders on or about 28 September 2001.

The share register will be closed from 19 September 2001 to 21 September 2001, both dates inclusive. Definitive share certificates in respect of the scrip dividend and cheques (for those shareholders who do not elect to receive scrip dividend) will be sent to shareholders on or about 26 October 2001.

PORTFOLIO ACTIVITY

Hong Kong

In addition to the decline in the technology and communications industries, the global economic environment became more uncertain during the review period with a downturn in the US economy. Although we are not immune from what is happening in the general environment as market sentiment was inevitably affected, our office portfolio achieved high levels of occupancy. We also continued to strengthen relationships with our tenants, pursuing our goal to become their partner of choice in the provision of space and services.

Our retail portfolio became home to some of Hong Kong's largest "lifestyle" flagship stores in the Lee Theatre Plaza area, namely Esprit and G.O.D. houseware store. Consumers are increasingly drawn to lifestyle purchases and to the enjoyable shopping experience that these large flagship stores provide.

We also entered into an agreement in August with the Sincere Group to acquire its 30% interests in the holding company of the Lee Theatre Plaza. The consideration was based on valuation of a 30% interest of the property at HK\$516,000,000. The transaction is expected to be completed in mid-September. This represents a positive opportunity to consolidate our assets, furthering our dynamic and long-term presence in Causeway Bay.

With a view to maximizing the value of the Group's investment portfolio, we commenced our programme of repairs and renovation for our key residential property in the Mid-Levels, Bamboo Grove. This is an important investment for the future although rental income will be affected in the short-term.

Overseas

The Grand Gateway, a commercial and residential complex in Shanghai where we have a 17% interest, is rapidly establishing its reputation as a major shopping centre in Puxi. The project is in a prime location above Shanghai's largest subway station (Xujiahui). Following the sale of all Phase I units of the Shanghai Peace Gardens project, our 45% interest in the remaining land earmarked for development was sold in July 2001.

Our minority interests in three residential developments in Singapore (Sanctuary Green and the Gardens at Bishan: 10%, Amaryllis Ville: 25%) continue on track with construction progressing. We shall continue to actively monitor the Singapore residential market.

FINANCE

The Group's balance sheet remains strong. Net gearing ratio as at 30 June 2001 was 15.2%. Net interest coverage was 3.4 times. At 30 June 2001, total debts outstanding were HK\$5,097 million, with no significant new financing during the period. There was also no change in the Group's contingent liabilities during the period. All of the Group's debt is denominated in Hong Kong dollars, unsecured and on a committed basis. As at 30 June 2001, total shareholders' funds stood at HK\$23,379 million, an increase of HK\$220 million as from 31 December 2000. The increase was mainly attributable to the current period's retained profits less nominal value and premium paid on shares repurchased.

We continue to adhere to a prudent policy on financial risk management and the management of currency and interest rate exposures. The Group's foreign currency exposure is minimal. The Group has sufficient financial resources to fund planned capital expenditures as well as exploiting future investment opportunities whilst maintaining acceptable gearing and financial coverage ratios.

OUR PEOPLE

It is always the people behind the physical assets, who add value to the business. We are therefore fully committed to the development of our staff. To this end, we recently launched a company-wide customer service initiative, to enhance and foster our service culture, a key factor in meeting the changing needs of customers for space and quality services.

OUTLOOK

The uncertain outlook for the global economy is likely to delay recovery in the local leasing market. We shall continue our policy of prudent management while investing for the future, for our core office, retail as well as residential portfolio. I have confidence that we are well-positioned to take advantage of opportunities that lie ahead.

Peter T.C. Lee

Chairman and Managing Director

Hong Kong, 4 September 2001