

CHAIRMAN'S STATEMENT

I am pleased to present the 2000/2001 Annual Report to shareholders.

FINAL RESULTS

*Net profit attributable
to shareholders was
HK\$501 million*

The Group's audited consolidated net profit after tax and minority interests but before an exceptional provision of HK\$300 million for the year ended 30th June, 2001 was HK\$801 million. After an exceptional provision of HK\$300 million, the net profit attributable to shareholders was HK\$501 million. Earnings per share for the year was 13.43 cents.

DIVIDENDS

The Directors have resolved to recommend a final dividend of 2 cents per share in respect of the year ended 30th June, 2001 to shareholders whose names appear on the Register of Members of the Company on 15th November, 2001. Together with the interim dividend of 2 cents per share, the total dividend for the full year is 4 cents per share.

The Directors propose that shareholders be given the option to receive the final dividend in new shares in lieu of cash. The scrip dividend proposal is subject to: (1) the approval of the proposed final dividend at the Annual General Meeting to be held on 15th November, 2001; and (2) The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued pursuant to this proposal.

A circular containing details of the scrip dividend proposal will be despatched to shareholders together with the form of election for scrip dividend on or about 16th November, 2001. It is expected that the final dividend warrants and share certificates will be despatched to shareholders on or about 17th December, 2001.

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS ACTIVITIES

(1) Land Bank

During the financial year, the Group acquired four new sites. These sites bring in a total of approximately 1,020,580 square feet of attributable gross floor area to the Group. Details of these acquisitions are as follows:

Acquired a total attributable gross floor area of 1,020,580 square feet

<u>Location</u>	<u>Usage</u>	<u>Group's Interest</u>	<u>Attributable Gross Floor Area</u> <i>(Square feet)</i>
1. Ma On Shan Area 77 Sha Tin Town Lot No. 481 New Territories	Residential	100%	612,465
2. Tsuen Wan Area 40 Lot No. 404 New Territories	Residential	50%	112,538
3. Sham Tseng Lot No. 214 in D.D. 387 New Territories	Residential	50%	88,668
4. Tsuen Wan Area 40 Lot No. 395 New Territories	Residential	25%	206,909
			<hr/> 1,020,580

As at 30th June, 2001, the Group's land bank, including properties held for sale, properties under development and completed properties, consists of a total gross floor area of 15 million square feet, and comprises a balanced portfolio of properties: commercial (37%), residential (34%), industrial (15%), car parks (10%) and hotels (4%). Currently, there are 14 projects under development in Hong Kong with a total attributable gross floor area of 3.8 million square feet which will be completed over a 4-year period.

The Group's land bank consists of a total attributable gross floor area of 15 million square feet

In August 2001, the Group acquired one piece of land with attributable gross floor area of 72,096 square feet in Yuen Long. The site will be developed into residential property.

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS ACTIVITIES *(Continued)*

(2) Project Completion & Development Activities

In the financial year 2000/2001, the Group completed the following developments with a total attributable gross floor area of 2,594,809 square feet:

	<u>Location</u>	<u>Usage</u>	<u>Group's Interest</u>	<u>Attributable Gross Floor Area</u> <i>(Square feet)</i>
1.	Island Resort 28 Siu Sai Wan Road, Chai Wan Hong Kong	Residential	40%	965,128
2.	Island Resort Mall 28 Siu Sai Wan Road, Chai Wan, Hong Kong	Commercial	40%	75,676
3.	148 Electric Road North Point, Hong Kong	Commercial	100%	197,400
4.	The Centrium 60 Wyndham Street, Central, Hong Kong	Commercial	70%	179,138
5.	Olympian Tower MTR Olympic Station Site C, Kowloon KIL 11074	Commercial (Office Tower)	30%	90,417
6.	Park Avenue 18 Hoi Ting Road, MTR Olympic Station Site B, Kowloon KIL11090	Residential	42.5%	540,194
7.	The Fullerton Singapore 1 Fullerton Square, Singapore	Hotel	100%	466,423
8.	One Fullerton 1 Fullerton Road, Singapore	Commercial	100%	80,433
				2,594,809

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS ACTIVITIES *(Continued)*

(2) Project Completion & Development Activities *(Continued)*

In January, the Group was granted approval by the Government to convert Commercial Square from industrial to commercial use.

In the coming financial year, the Group expects to complete the following three projects, with an aggregate attributable gross floor area of 909,149 square feet:

<u>Location</u>	<u>Usage</u>	<u>Group's Interest</u>	<u>Attributable Gross Floor Area</u> <i>(Square feet)</i>
1. Futura Plaza 111-113 How Ming Street, Kwun Tong, Kowloon KTIL 705	Industrial	100%	225,396
2. Central Park 18 Hoi Ting Road, MTR Olympic Station Site B, Kowloon KIL11090	Residential	42.5%	466,456
3. Olympian City 2 MTR Olympic Station Site B, Kowloon KIL 11090	Commercial	42.5%	217,297
			<hr/> 909,149 <hr/>

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS ACTIVITIES *(Continued)*

(3) Sales Activities

The Group's sales activities have been active because of low mortgage loan rates, a high affordability level and incentives for home purchasers. During the twelve-month period ended 30th June 2001, sales revenue, including share of revenue from associates, was mainly contributed by the sales of units in Island Resort and Park Avenue (Tower 6 - 10 of Olympian City Site B), and disposal of existing investment properties including all units in The Royal Cliff, several units in The Arcadia and retail shops in Sino Centre. Subsequent to the current financial year, in July 2001, the Group entered into sale and purchase agreements to sell its interest in Energy Plaza and Olympian Tower.

The Group plans to market three new projects currently under development in the coming financial year. They are Sky Horizon at Nos. 35 & 37 Cloud View Road, North Point, Horizon Place at Kwai Chung Town Lot No. 480 and Grand Regentville at Fanling Sheung Shui Town Lot No. 195.

(4) Rental Activities

The Group's completed investment portfolio of 7.7 million square feet gross floor area comprises a balanced variety of properties: commercial (49%), industrial (20%), car parks (19%), hotels (8%) and residential (4%) accounting for 52% of the Group's total land bank of 15 million square feet. During the year under review, the Group's major rental portfolio has maintained a steady occupancy rate with stable rental income.

The Group's rental portfolio is strengthened by the increase in newly completed properties which includes two office buildings at 148 Electric Road and 60 Wyndham Street, Central (The Centrium); a 400-room hotel, The Fullerton Singapore; a commercial building One Fullerton, a shopping mall at Island Resort and the addition of a shopping mall in Maritime Bay following the acquisition of the remaining 50% share interest. These new properties have brought about a net increase of 1.1 million square feet of attributable gross floor area in the entire investment portfolio, showing a 17% net increase as compared to that of previous year.

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS ACTIVITIES *(Continued)*

(4) Rental Activities *(Continued)*

The gross rental revenue of the Group, including the attributable share of its associates was HK\$1,115 million, a gain of 7.4% over the corresponding period of last financial year. On the whole, the highly diversified nature and good location of the Group's investment properties have always been the contributing factors to stable recurrent earnings.

***Rental income of
HK\$1,115 million***

(5) Finance

With a stable recurrent rental income, sales revenue from development projects and following the disposal of The Royal Cliff, the Group's gearing ratio has been maintained at approximately 26%, expressed as a percentage of bank and other borrowings net of cash and bank balance over shareholders' equity. Of total borrowings, 26.8% was repayable within one year, 13.7% repayable between one and two years and 59.5% repayable between two and five years. As at 30th June, 2001, the Group's total asset value amounted to HK\$38 billion. The Group, including the attributable shares of its associates, had cash resources of approximately HK\$5,010 million, comprising cash on hand of approximately HK\$2,045 million together with committed undrawn facilities of approximately HK\$2,965 million. As at 30th June, 2001, the audited shareholders' fund and net asset value per share of the Group was HK\$27.4 billion and HK\$7.1 respectively.

***Group's gearing ratio
of 26%***

***Cash resources of
HK\$5,010 million***

With the exception of the redemption of US\$199 million convertible bonds thereby reducing the US\$ foreign exchange exposure by a net amount of US\$163 million and an increase in Singapore dollar borrowings of S\$36 million for the development of The Fullerton Singapore, there was no material change in the foreign currency borrowings and the capital structure of the Group for the year ended 30th June 2001. Foreign exchange exposure is kept at minimal level. Most of the Group's borrowings are subject to floating interest rates except for certain project loans and the convertible bonds.

In January 2001, the Group successfully raised approximately HK\$783 million through a placement of 180 million ordinary shares at HK\$4.35 per share, representing approximately 4.7% of the enlarged issued capital of the Company. The net proceeds were used to finance on-going projects.

As at 30th June, 2001, the Group had not recorded any material changes in contingent liabilities since the financial year ended 30th June, 2000.

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS ACTIVITIES *(Continued)*

(6) Future Developments

Property development and investment has been the major business focus of the Group. We will continue to replenish the Group's land bank for value creation as well as ensuring its earning prospects in the years to come. As at 30th June 2001, about 5.1 million square feet of attributable gross floor area were Development for Sale, representing 34% of the total land bank. Development for Investment was 0.8 million square feet, representing 5% of the land bank. About 1.4 million square feet were Completed Properties for Sale which accounted for 9% of the entire portfolio and the remaining 52% was Completed Investment Properties. The Group is committed to building quality properties and applying environmentally friendly concepts in its new developments. Additional 'green' features will be introduced in building design, project management and estate management.

Other than the above mentioned, there was no material change from the information published in the report and accounts for the year ended 30th June 2000.

EMPLOYEE PROGRAMMES

A series of staff benefits such as employee reward programmes and in-house training are being offered to the staff. During the year, the Group organized various internal and external training programmes for the staff to maintain their quality attributes, strengthen their professional knowledge and enhance productivity. Mandarin language training was offered to all front-line staff to ensure the standard of customer service. Furthermore, specialized seminars on environmental protection in respect to office administration, property development and management have also been introduced. Over 3,000 employees participated in training programmes and the process is on-going as new courses will continuously be developed to meet specific career planning needs.

In addition, the Group runs a programme to identify employees of outstanding performance and who contribute significantly to the Group. Recognizing them as future leaders while developing their skills ensure they become role models for fellow colleagues.

CHAIRMAN'S STATEMENT *(Continued)*

PROSPECTS

Economic adjustment has become a global phenomenon. Hong Kong has been affected by the economic slowdown in the U.S. and Europe during the first half of 2001. With China's imminent accession to the World Trade Organization and the expected economic growth from Beijing's successful bid to host the 2008 Olympic Games, Hong Kong will benefit from these events. As the financial and business hub for China coupled with an established economic and regulatory system, Hong Kong is also well positioned to gain from China's domestic demand driven growth.

From the domestic perspective, the reduction of interest rates and attractive mortgage terms offered by banks have made private housing extremely affordable and appealing. Household affordability has reached a record high. Together with a series of home purchase incentives, the public's buying sentiment has gradually recovered and the outlook for the property market is positive.

In the last two years, the Group has replenished its land bank at reasonable prices which ensure earning prospects in the years to come. With gradual recovery of the property market and the Group's diversified investment property portfolio, the Directors are confident about the medium and long-term growth of the Group.

To promote conservation of our environment and sustainable development, the Group has introduced a number of environmental friendly features to its projects and estate management. Emphasis will be placed on 'green living', energy-savings, design, air quality, refuse management and waste recycling. These are in line with the Group's principle of building quality properties and enhancing value for customers. The development of Ocean View (Ma On Shan Area 77) is the first 'green building' approved by the SAR Government. Further 'green features' will be explored and introduced to projects and estate management.

The world will never forget the events which occurred in New York and Washington D.C. on 11th September, 2001 and we extend our heartfelt thoughts to those who have suffered profound loss.

The impact of these events on world financial markets is currently too early to estimate. The Group will closely monitor the market movements and assess its medium to long-term effect on Hong Kong's economy.

CHAIRMAN'S STATEMENT *(Continued)*

STAFF AND MANAGEMENT

Mr. Ow Sing Kau, who served on the Board for more than 22 years, has retired as an Executive Director with effect from 30th June 2001. I would like to extend my special thanks to Mr. Ow for his contributions during his directorship with the Company.

On behalf of the Board, I would also like to take this opportunity to express my appreciation and thanks to all my fellow directors and staff of the Group for their commitment and contribution.

Robert NG Chee Siong
Chairman

Hong Kong, 25th September, 2001