

Chairman's Statement

Dr. Lee Shau Kee, Chairman and Managing Director



I am pleased to present to the Shareholders my report on the operations of the Group.

Profit & Turnover

The Group's consolidated net profit after taxation and minority interests for the year ended 30th June, 2001 amounted to HK\$4,394 million, representing a decrease of 25% from that reported in the previous financial year. The turnover of your Group also showed a decrease of 46% from that of the previous financial year and amounted to HK\$9,169 million.

Dividends

Your Board recommends the payment of a final dividend of HK\$0.55 per share to shareholders whose names appear on the Register of Members of the Company on 10th December, 2001. The total distribution per share of HK\$1.10 for the full year, including the interim dividend of HK\$0.55 per share already paid, represents a decrease of 29% from the total distribution in the previous year. Warrants for the final dividend will be sent to shareholders on or before 12th December, 2001.

Business Review

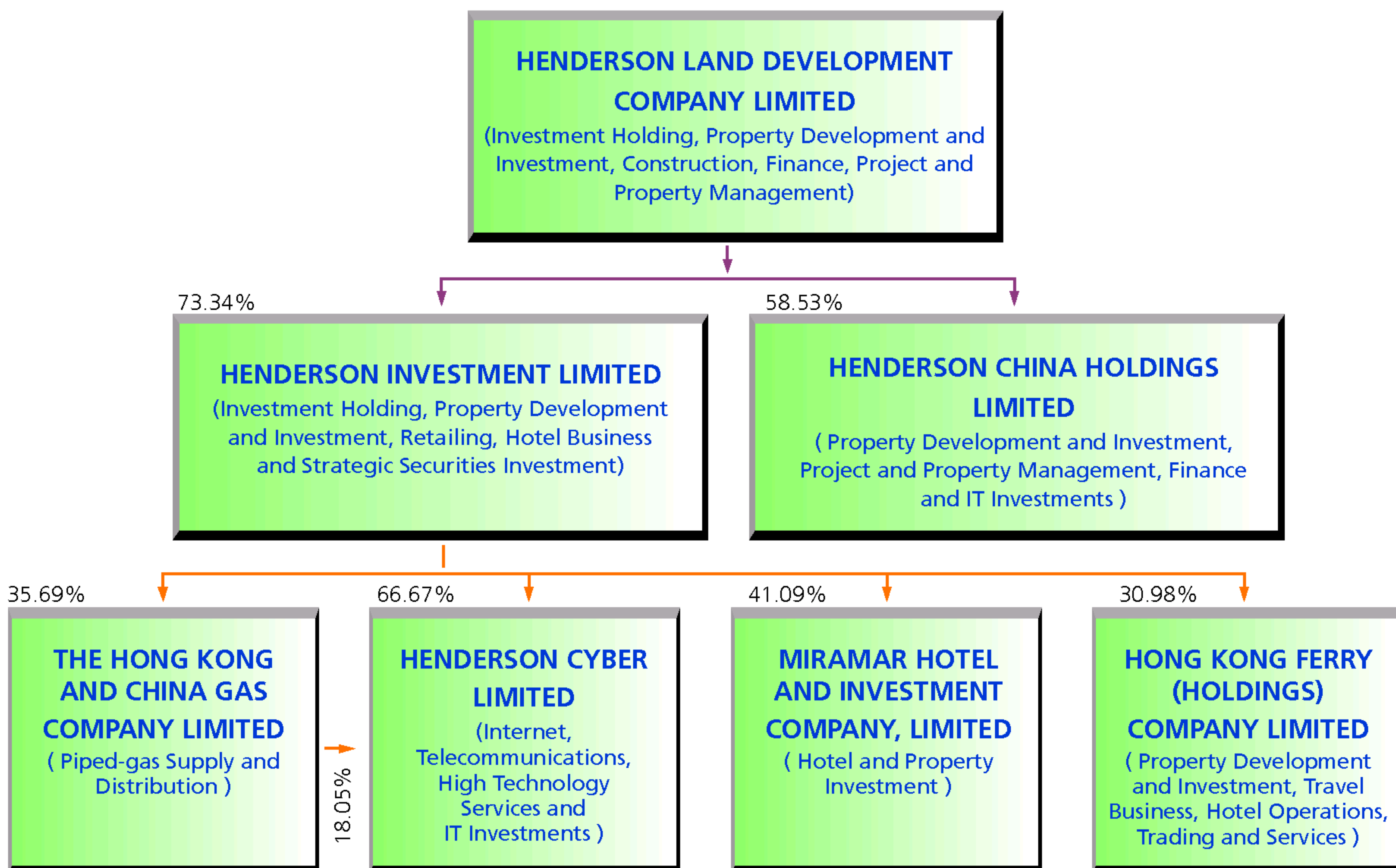
PROPERTY MARKET

The economy of Hong Kong was considerably stable in 2000. However, as the global economy experienced a slowdown since the beginning of 2001, the confidence of local home purchasers remained low notwithstanding that Hong Kong followed the footsteps of the United States of America in announcing consecutive reductions of interest rates as well as a series of measures implemented by the Government to stabilise local property prices.

Chairman's Statement (cont'd)

Sales turnover in the local property market was recorded at a slower pace this year as compared with that of the past year. However, your Group was able to adopt suitable sales strategy during the period under review after taking timely assessment of such market developments. The

number of units that were sold by the Group including those for which the Group acted as sales agent summed up to 2,960 residential units, amounting to approximately HK\$9.2 billion in total sales proceeds.



(All percentage shareholdings shown above were figures as of 4th October, 2001)

Chairman's Statement (cont'd)

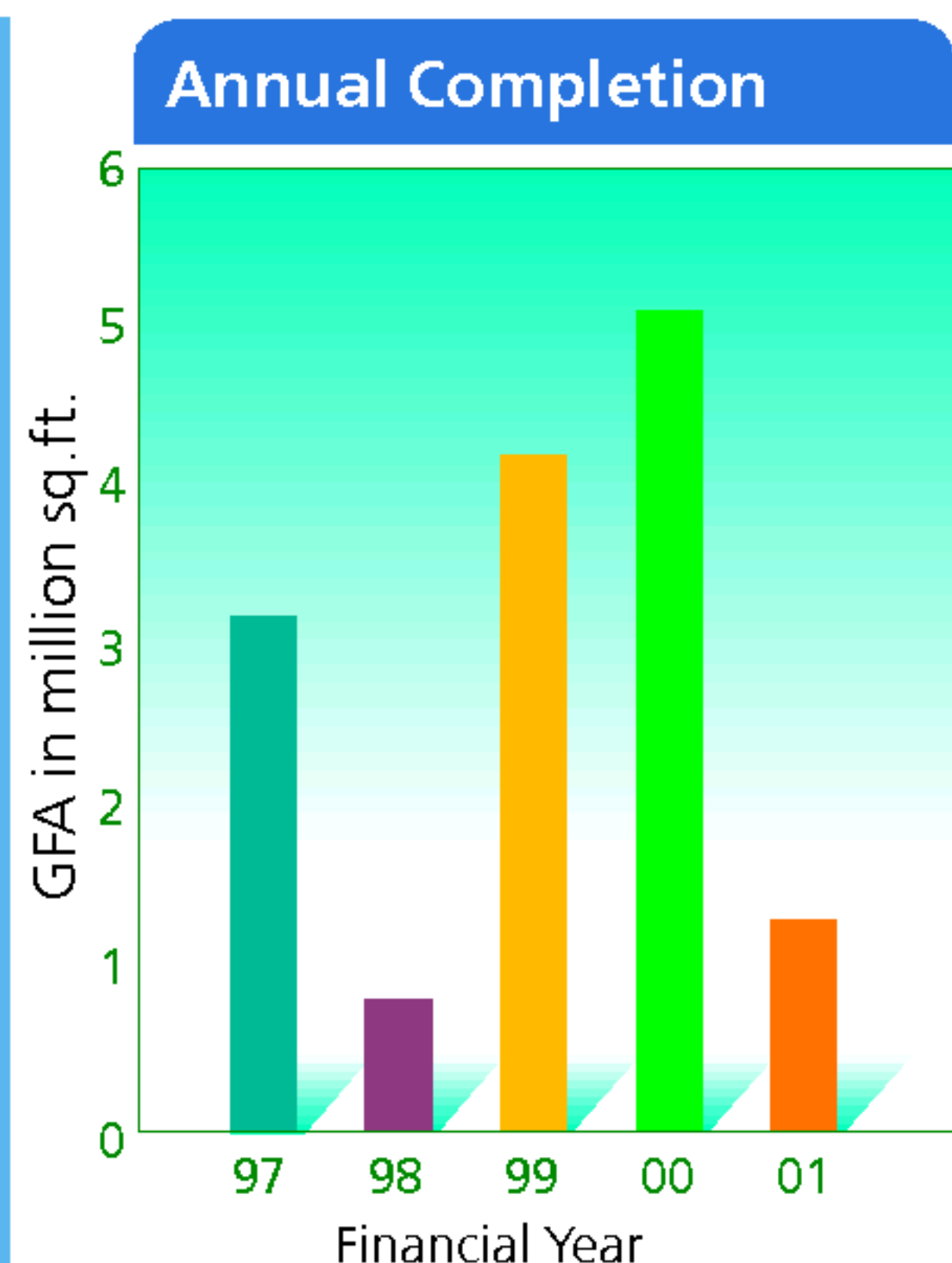
LOCAL PROPERTY DEVELOPMENT AND LAND BANK

During the financial year under review, the Group completed six development projects which amounted to 1.29 million sq. ft. in total attributable gross floor area:

Location	Site Area (sq.ft.)	Gross Floor Area (sq.ft.)	Purpose	Group's Interest (%)	Group's Interest Gross Floor Area (sq.ft.)
1 3 Seymour Road (Palatial Crest)	17,636	185,295	Commercial/ Residential	63.35	117,384
2 117 Caine Road Mid-Levels Hong Kong (Casa Bella)	12,595	101,890	Residential	50.00	50,945
3 8 Hung Lai Road (Kowloon Inland Lot No. 11084) (Royal Peninsula)	162,246	1,478,552	Residential/ Serviced Apartment	50.00	739,276
4 28 Ma Tau Kok Road (Metropolitan Rise)	20,000	183,344	Commercial/ Residential	80.00	146,675
5 579 Nathan Road (579 Nathan Road)	2,205	26,615	Commercial	100.00	26,615
6 1 Tuen On Lane Tuen Mun (Tuen Mun Town Lot No. 377 R.P.) (Parkland Villas — Blocks 7 to 9)	288,197	276,127	Residential	75.01	207,123
					1,288,018

The Group acquired the following development sites in the period under review:

Location	Site Area (sq.ft.)	Gross Floor Area (sq.ft.)	Purpose	Group's Interest (%)	Group's Interest Gross Floor Area (sq.ft.)
1 Sai Wan Ho Ferry Concourse, Inland Lot No. 8955	131,320	1,368,418	Residential	62.23	851,567
2 106-116 Hollywood Road and 1A Ping On Lane	7,464	63,445	Commercial/ Residential	100.00	63,445
					915,012



Chairman’s Statement (cont’d)

On land acquisition, the Group made addition of two sites to its land bank during the financial year under review which amounted to approximately 0.92 million sq.ft. in total attributable development floor area. Also, during the period under review, three other industrial sites held by the Group in Wong Chuk Hang, San Po Kong and Kwun Tong were also approved by the Town Planning Board for change to commercial development land usage, with total gross floor area of approximately 0.47 million sq.ft. being attributable to the Group. Furthermore, the old southern gas plant with a site area of 130,000 sq.ft. being owned by the Group’s associate, The Hong Kong & China Gas, was approved by the Town Planning Board in respect of change to residential development R (E) land usage with a maximum permitted plot ratio of 8.5 times for commercial-cum-residential development primarily as a residential project of approximately 1.1 million sq.ft. in gross floor area. As at the end of the financial year under review, the total development land bank of your Group in Hong Kong amounted to approximately 21.31 million sq.ft. in total attributable development floor area, which includes the Group’s interests in development sites, investment properties, hotel properties as well as property interests held in the three listed associates of the Group. In addition, your Group held approximately 23.3 million sq.ft. of agricultural land as at the end of the past financial year. The Group will follow closely developments in the local property market and make applications to the Government in stages for change of land usage of the agricultural land held in hand for property development purpose.

PROPERTY RENTAL

In the financial year under review, total gross rental income of the Group amounted to

HK\$1,960 million which reflected an increase of 27% from that recorded in the previous financial year. Although Hong Kong continued to be affected by the slowdown of the global economy in the past financial year, most of the retail shopping properties owned by the Group are located in new towns where continual growth of residents are maintained and consumer spending power are segregated, thereby providing a good support to stabilise rental of the retail shopping properties located in such new towns. Occupancy rates in major retail shopping properties and office properties owned by the Group were also recorded at satisfactory level. Amongst these, the retail shopping centre located at the Metro City Phase II and Phase III of approximately 1.2 million sq.ft. in gross floor area was completed during the period under review. As the rent-free concessionary periods in this retail shopping centre gradually came to an end as from 2001, it would begin to make noticeable increase in rental income of the Group. As at the end of the period under review, the total attributable gross floor area of the Group’s rental property portfolio amounted to 6.3 million sq.ft..

Usage of Land Bank & Investment Properties

