

Business and Financial Review

(I) GROUP RESULTS

The unaudited Group profit attributable to Shareholders for the six months ended 30 September 2001 amounted to HK\$204.7 million, compared to HK\$203.3 million achieved in the same period last year. Earnings per share were 9.9 cents.

(II) INTERIM DIVIDEND

The Board has declared an interim dividend in respect of the half-year period ended 30 September 2001 of 2.0 cents (2000 – 2.0 cents) per share, payable on Friday, 25 January 2002 to Shareholders on record as at 11 January 2002.

(III) BUSINESS REVIEW & PROSPECTS

The Group is a committed participant in the long-term growth of the property markets in Hong Kong and Asia.

Much more active sales for primary residential units recorded recently in Hong Kong are indicative signs of interest rate cuts taking effect after a total of more than 4% drop in the average mortgage rate this year. Following the “911” tragedy in the United States, most western countries have come closer together to work on possible solutions or precautionary actions in preventing any potential world-wide recessionary slump, and it has also prompted central banks to relax their monetary policy further. Given that the long-term fundamentals of Hong Kong have not changed, with China in WTO we shall benefit from the market with the highest growth potential in the coming decade and economic activities here will pick up at some stage.

Property Activities

Company's own interests

Bellagio, the Sham Tseng site, is a joint venture development in which the Group holds a one-third interest. The lease modification for the enlarged CDA site has recently been finalized with the Government. Construction works for all four phases have been progressing according to schedule. Pre-sale for initial phases covering 1,704 units is targeted to take place during the first half of 2002. Completion of these phases of the development is scheduled for 2003.

Sorrento, the MTRC Kowloon Station Package Two development, is equally owned by a five-member consortium comprising the Company together with its listed subsidiary, Realty Development Corporation, as well as Wheelock and two Wharf group's companies. The initial batch out of the total 1,272 units under Phase I has just been launched with extremely favourable response. Construction works have been progressing according to schedule. Completion of Phase I is expected by the end of 2002.

Realty Development Corporation group

During the period under review, the group continued its sales of various property projects, including mainly The Primrose, The Astrid, Forest Hill and My Loft.

The residential development on Castle Peak Road known as Palm Cove will have a total of 228,000 square feet in GFA providing 260 units. Superstructure works are in progress and pre-sale is targeted to take place in the first half of 2002.

The King's Park development is owned by a five-member consortium comprising the group, New World Development, Sino Land, Chinese Estates and Manhattan Garments. This residential site located in Homantin will be developed into eight towers consisting of 700 units with a total GFA of 904,200 square feet. Demolition works have completed and the tendering for foundation works is now in progress.

Marco Polo Developments group

The physical hand-over of units to purchasers marked the successful completion of the Ardmore Park project undertaken by Marco Polo Developments Limited, a 75 per cent owned subsidiary. Following the grant of the Temporary Occupation Permit in May 2001, the Certificate of Statutory Completion was also obtained on 18 October 2001. To-date stage billings representing 98 per cent of the total sale price of all units sold have been billed and 85 per cent of those have been collected.

The average occupancy of Ardmore View is currently 96 per cent with duration of leases ranging from 12 to 24 months. Provisional planning permission for the redevelopment of this property to 110,200 square feet GFA was obtained in February 2000. This redevelopment will proceed when market conditions improve.

The office tower as well as podium levels 3, 4 and 5 of the Wheelock Place in Singapore are currently 93 per cent let to quality multinational tenants.

The former Marco Polo Hotel site is now being redeveloped into a freehold, luxury high-rise condominium complex with 467,600 square feet in GFA, known as "Grange Residences". Foundation works have now completed and other construction works have been progressing according to schedule. Completion is expected by the second half of 2003.

Outlook

A combination of the downward trend of global interest rates, together with the local banking deregulation process, Hong Kong interest rates are at an all time low. Most property end-users would find it much more affordable to buy rather than to rent, and investors would attempt to look for better alternative investments than bank deposits at extreme low yield. With its sizeable landbank, mainly represented by its 33 per cent interest in Bellagio, 35 per cent effective interest in Sorrento and 15 per cent effective interest in the King's Park development, the Group is well-placed to take advantage of the gradual recovery of the economy once more positive factors have

returned to restore the confidence of consumers and investors.

It is anticipated that the current weak office and retail rental markets in Singapore will take few years to turn around. Occupancy in Orchard Road has however been firmly supported by the relatively tight supply situation in that area. This would benefit the Group's investment property, Wheelock Place, with its strategic location along Orchard Road.