

Overview

Turnover for the period decreased by 61.5% to \$1,615 million due to reduced property sales. Property sales for the period primarily related to the sale of 17 units of Garden Terrace compared to 555 units of Baycrest and 35 units of Garden Terrace sold during the previous period.

Finance costs decreased by 39.3% to \$181 million as interest rates on bank borrowings dropped during the period, coupled with an increase in interest capitalised to projects under development.

Taxation for the period was lower, at \$64.4 million, owing to the decrease in tax provision for the Group's subsidiaries. Net profit was \$300.4 million, a decrease of 39.1% from the previous period's figure.

Property Development

The Harbourside, our Airport Railway Kowloon Station Package Four Development project, is scheduled for sale either in late 2002 or early 2003 while New Haven, our Sha Tsui Road property in Tsuen Wan, is scheduled for sale in the second quarter of 2002.

Construction of the Hing Wah Street West and Hoi Fai Road projects is progressing well and the former should be available for sale in the second half of 2002.

Property Leasing

During the period under review, rental turnover generated by our commercial, office, residential and industrial properties increased by 7.9% to \$1,071.4 million. Profit before taxation from our leasing operations increased by 6.2% to \$798.4 million. The increase in rental turnover and profit is due to additional contributions from Shanghai projects.

Hong Kong

Our residential project at Stubbs Road, The Summit received its occupation permit in January 2002. This 70-storey residential tower comprises 52 luxury duplex units and 2 double duplex units and leasing activity will commence in the first quarter of 2002.

Shanghai

By the end of December, the 99,200 sq.m. retail complex of The Grand Gateway, the largest modern shopping mall in Shanghai, was fully leased. The 34-storey residential tower has 268 luxuriously furnished serviced apartments and is practically fully leased.

Plaza 66, our newly completed project in Shanghai, had its Grand Opening in July 2001. The 50,100 sq.m. mall is nearly fully leased and the ground level features one of the biggest collections of international name brands in the city, including Chanel, Cartier and Louis Vuitton and is attracting high customer traffic. Its 66-storey office tower is fully leased and is occupied mostly by major multinational companies.

Hotel Operations

Profit before taxation from the Group's hotel operations decreased 55.1% to \$20.9 million during the period under review due to lower room rates.

All our hotels continued to exceed the industry average occupancy level of 79%, but at the expense of room rates which was reduced by 16%. Occupancy rate at Grand Plaza Hotel was 86%, at Grand Tower Hotel 87% and at The Wesley 94%.

Occupancy level at our Grand Plaza Apartments for the period under review was 92%.

Finance

The Group's consolidated net debt at 31 December 2001, being bank borrowings less cash and bank deposits, amounted to \$8,940.2 million compared to net debt of \$8,132.8 million at 30 June 2001. The increase was mainly caused by capital expenditures on the Group's property development projects. In October 2001, the Group concluded a \$1 billion four-year syndicated loan with 7 leading local-based banks. The syndication reflected the strong credit rating of the Group and the confidence of the banking community in the Group's financial strength.

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