CHAIRMAN'S STATEMENT

On behalf of the board of directors, I am pleased to report the following results and operations of the Group for the year ended 31 December 2001.

RESULTS

The audited consolidated profit after taxation for the year was HK$33,130,000 and the earnings per share amounted to HK$0.042, as compared favourably to loss of HK$120,968,000 and loss per share of HK$0.157 for the year ended 31 December 2000.

DIVIDENDS

The directors recommend the payment of a final dividend of HK$0.02 per share (2000: HK$0.02) in respect of the year ended 31 December 2001 to be paid on 3 June 2002 to members whose names appear on the Register of Members of the Company on 29 May 2002. No interim dividend was paid during the year (2000: NIL).

NET ASSET VALUE

The consolidated net asset value of the Group as at 31 December 2001 was HK$1,809 million (2000: HK$1,797 million (as restated)). Based on 797,157,415 shares in issue as at 31 December 2001 (2000: 797,157,415 shares), the consolidated net asset value per share of the Company was HK$2.27 (2000: HK$2.25 (as restated)).

BUSINESS REVIEW

Property Investment

The Group's major investment properties include:

- Century Square
- Prestige Tower
- 2/F New Mandarin Plaza
- Playmates Factory Building

Excluding the effect of a net loss of HK$46.8 million (2000: HK$179.0 million) from the revaluation of the Group's portfolio of properties, the profit attributable to shareholders for 2001 was HK$79.9 million as compared to HK$58.0 million in 2000. The Group's share of profits from associated companies, namely The Cross-Harbour (Holdings) Limited ("Cross-Harbour"), which the Group acquired in March 2001, and Maxdo Investments Limited, were HK$21.3 million and HK$15.5 million respectively.

Gross rental income from investment properties for the year amounted to HK$127.1 million which represents a decrease of about 12% when compared with last year's income of HK$144.3 million. The decrease is mainly due to the disposal in January 2001 of a wholly-owned subsidiary holding an investment property at 100 Canton Road, Tsimshatsui which contributed rental income of approximately HK$20 million to the Group in 2000. In the past financial year, the commercial leasing market within which the Group operates was rather difficult. Consolidation of communication and

CHAIRMAN'S STATEMENT

information technology industry, rationalisation of financial and banking sectors coupled with a general shrinkage in new demand have together contributed to an upsurge of vacancies in the secondary office market. Rental rates for offices have generally softened and there have been little signs that such trend has stabilised. On the retail side, overall rental rates have been falling primarily due to global economic downturn and substantial decrease in the number of tourists from the United States after the September-11 event. Despite these negative factors, the Group has been able to maintain a relatively high level of occupancy rate of above 95% for our major commercial properties. Favourable locations of buildings, proactive leasing approach, and dedicated management services are the main contributors to such desired leasing results.

Property development in the Hong Kong SAR ("Hong Kong")

The Group is still awaiting formal notification from the Government regarding land premium assessment in relation to the approval for merging two adjacent lots of the site at Anderson Road, Fei Ngor Shan. The delay, according to the appointed land consultant's report, is due to the re-design of a new expressway connecting Anderson Road.

Property projects in the People's Republic of China (the "PRC")

In Mainland China, continuous positive economic growth compounded with the accession of the PRC to the World Trade Organisation has started to rekindle interest in the leasing and investment markets, albeit in a slow pace. A majority of the Group's property interests in Shun Hing Square in Shenzhen were disposed of during 2001 and there have been some serious inquiries for the remaining properties.

In Shanghai, we are pleased to report that the whole of the Group's property interests in Peace Garden has now been fully disposed of.

MAJOR ACQUISITION

The Group acquired 51,755,924 shares of Cross-Harbour which is listed on The Stock Exchange of Hong Kong Limited, principally from The Wharf (Holdings) Limited in March 2001. Cross-Harbour's principal investments include Western Harbour Tunnel Company Limited, The Hong Kong School of Motoring Limited and Autotoll Limited. As reported in the 2001 Interim Results, the Board of Directors will treat such acquisition as a long-term investment. Since the acquisition of Cross-Harbour in March 2001 and up to the end of 2001, Cross-Harbour contributed HK$21.3 million of net profit to the Group.

MATERIAL DISPOSAL OF SUBSIDIARY

In January 2001, the Group disposed of its entire equity interest in Pretty Star Limited, a wholly-owned subsidiary, for cash consideration of HK$256.9 million. Pretty Star Limited had 100% ownership interest in the investment property, the 100 Canton Road.

CHAIRMAN'S STATEMENT

FINANCING AND LIQUIDITY

Financial expenses for the year ended 31 December 2001 amounted to HK$55.3 million (2000: HK$77.7 million), a decrease of HK$22.4 million. The decrease is mainly due to a series of interest rate cuts during 2001. Bank borrowings amounted to HK$914 million at the end of 2001 (2000: HK$868 million).

The bank loans are secured by mortgages on certain investment properties and properties held for sale with an aggregate carrying value of HK$1,882 million (2000: HK$2,406 million) and the assignment of rental income from these properties.

The gearing ratio, which is calculated as the ratio of the net bank borrowings to shareholders' funds, was 46.0% (2000: 43.2% (as restated)). Revolving bank loans with outstanding balance of HK$240 million will be renewable in the next financial year. Term loan instalments repayable within one year is HK$31 million which will be serviced by the Group's rental income and proceeds from sales of properties held for sale. Since the Group's borrowings and its sources of income are primarily denominated in Hong Kong dollars, there is basically no exposure to foreign exchange rate fluctuations.

At the end of 2001, the Group's cash and cash equivalents was HK$82.5 million. With cash and available banking facilities, the Group has sufficient resources to meet foreseeable funding needs for its working capital and capital expenditure.

The following is the maturity profile of the Group's bank borrowing as of 31 December 2001:

Within one year	29.7%
In the 2nd year	19.3%
In the 3rd to 5th year	11.5%
After the 5th year	39.5%
Total	100.0%

PROSPECTS

Currently, the economic situation of our local market is rather weak. There are quite a number of negative factors that hinder our pace of recovery. To name but a few, high budget deficits, negative growth of gross domestic product, persistent high unemployment and deflation rates, etc. That said, there also exists some market stimulus to counter-act such negative factors. As reflected by the various sectors of property and consumer markets, discounted commodities will still attract end-users. We therefore remain cautiously optimistic that the historic low interest rates, gradual recovery of United States markets, China's full accession to the World Trade Organisation, relaxation of Mainland visitors to Hong Kong and massive infrastructure development works etc. will together provide a solid impetus for our economy to progress healthily in a few years to come. The Group will continue to maintain a prudent investment policy and will shun high-risk though high-yield projects. We will strive to operate in a sound financial manner to enable stable returns for our investments. In

CHAIRMAN'S STATEMENT

addition to our core business in property investment and property management services, we will endeavor to look for diversified investments with stable growth and returns to increase value of the Company. Such management philosophy will unlikely to be changed in the foreseeable future.

STAFF

At 31 December 2001, the Group employed a total staff of 37. Staff remuneration is reviewed by the Group from time to time and increases are granted normally annually or by special adjustment depending on length of service and performance where warranted. In addition to salaries, the Group provides staff benefits including medical insurance, life insurance, provident fund and discretionary vocational tuition/training subsidies. Share options and bonuses are also available to employees of the Group at the discretion of the directors and depending upon the financial performance of the Group.

APPRECIATION

We would like to take this opportunity to thank our shareholders and business partners for their continuing support, and the Group's dedicated management and staff for their valuable contributions during the past year.

Cheung Chung Kiu
Chairman

Hong Kong, 12 April 2002