

GROUP RESULTS AND DIVIDENDS

The Board of Directors announces that the audited consolidated profit of the Group for the year ended 30th June, 2002 amounted to HK\$114.35 million, compared with HK\$259.81 million, for the previous year. This reduction in profit was mainly due to a substantial revaluation deficit as a consequence of the revaluation of the Group's investment properties and investment properties held by jointly controlled entities as at 30th June, 2002 and the decrease in interest rates on the Group's bank deposits.

The Directors will recommend to shareholders at the forthcoming Ordinary Yearly Meeting to be held on Tuesday, 3rd December, 2002 the payment of a final dividend of HK\$0.10 per share. The Directors will also recommend to the shareholders the payment of a special dividend of HK\$0.90 per share. These two dividends, together with the first interim dividend of HK\$0.10 per share, a special dividend of HK\$0.50 per share, and a second special interim dividend of HK\$18.00 per share payable on 14th November, 2002, conditional upon no general offer for the shares of the company having been announced by any offeror prior to 14th November, 2002, will make a total dividend for the year of HK\$19.60 per share, compared with HK\$3.20 per share for the previous year.

VOLUNTARY CONDITIONAL CASH OFFER TO ACQUIRE THE SHARES OF THE COMPANY

On 20th April, 2002 the Company received an unsolicited approach from Yu Ming Investment Management Limited ("Yu Ming") on behalf of Asia Time Investments Limited ("Offeror"). This approach ultimately led to the announcement on 10th July, 2002 of a voluntary conditional cash offer to acquire the shares of the Company at HK\$0.01 per share.

The offer was formally made by an Offer Document dated 31st July, 2002, to which your Board responded by a Response Document dated 14th August, 2002. Your Board recommended that the Offer be rejected by shareholders.

By the final Closing Date for the offer of 30th September, 2002 the Offeror had secured acceptances in respect of a mere 382,242 shares representing approximately 0.84% of the issued share capital of the Company. Accordingly, the offer lapsed on 30th September, 2002.

This unwanted and unsolicited takeover offer took over five months to dispose of, though it commanded negligible support from shareholders. The Response Document dated 14th August, 2002 has, however, enabled your Board to present to shareholders the true facts and figures concerning the operations, track-record and performance of your Company over the last decade. Shareholders were, therefore, able to take a fully-informed decision on the merits of the offer. Shareholders decided overwhelmingly to reject the offer.

Throughout the offer period, the Company spent much time, effort and expenses in dealing with the Yu Ming offer. As a result, during that period the Company was hampered in its ability to proceed with its property developments and had to forego several investment opportunities. After over five months of disruption, the Board now looks forward to being able to continue with the task of running the Company's business.

HIGHLIGHTS OF PROPERTY DEVELOPMENT AND INVESTMENTS

SHAU KEI WAN INLAND LOT NO. 843, ALDRICH BAY (LES SAISONS)

The site, in which the Group has a 20% interest, Swire Properties Limited has a 50% interest and Sun Hung Kai Properties Limited has a 30% interest, was acquired at a public tender in 1998. The development comprises 864 residential units in four towers rising between 41 storeys and 47 storeys with 216 car parking spaces. In addition, the development also includes a large club house, outdoor pools, children's play areas, a gymnasium and a landscaped podium garden. The Occupation Permit for the development was issued in October 2001 and the Certificate of Compliance was issued in February 2002. The Les Saisons development has proved successful in the market and has been very well received by prospective purchasers. As at October 2002, approximately 83.6% of the residential units had been sold.

REMAINING PORTION OF KOWLOON INLAND LOT 1300 (NO. 3, JORDAN ROAD, KOWLOON)

In February 2001, the Group purchased the property with a site area of approximately 2,906 sq. ft. for redevelopment. Demolition of the existing building was completed in May 2002. The site will be developed into a 26-storey building comprising serviced apartments and retail accommodation with a total gross floor area of approximately 29,880 sq. ft. General Building Plans for the development were approved in May 2002. The foundation work is scheduled to be completed in November 2002 and the superstructure contract will be awarded before the end of 2002. In view of the favourable location of the site and the growing demand for serviced apartments, the property is expected to generate steady rental income for the Group upon completion of the development.

Chairman's Statement (Continued)

INLAND LOT 88, NO. 391 CHAI WAN ROAD, CHAI WAN

The property, which is wholly-owned by the Company, has a site area of approximately 102,420 sq. ft. and is at present used as a bus depot. In May 2001, the site was rezoned and designated as a Comprehensive Development Area. In February 2002, the Town Planning Board approved, subject to a number of planning conditions, the Company's application under Section 16 of the Town Planning Ordinance for permission to redevelop the site into a residential and commercial complex with a maximum gross floor area of 86,268 sq. m. (928,588 sq. ft.). According to the master plan approved by the Town Planning Board, the development will have four residential towers comprising 1,316 units over a retail podium and Public Transport Terminus. The Company will in due course negotiate the necessary modifications to the Government Lease, and the premium for such modifications, in order to enable the proposed development to proceed. Your Board has given formal, in principle, approval for the redevelopment of the site by means of a 50:50 joint venture.

INLAND LOT 7105, KAM HONG STREET, NORTH POINT

The property, which is wholly-owned by the Company, has a site area of approximately 17,870 sq. ft. The Government Lease under which the site is held was granted for the construction of housing for the staff and employees of the Company. Your Board will in due course seek to negotiate the necessary modifications to the Government Lease, and the premium for such modifications, in order to enable the site to be redeveloped into a commercial and residential complex.

ALBANY HOUSE, LONDON SW1, UK

In 1999, the Group purchased a freehold property in the West-End of London as a long-term investment. The 11-storey air-conditioned office building, known as Albany House, is located immediately adjacent to St. James' Park Underground Station and covers a site area of approximately 21,500 sq. ft. The property has about 58,000 sq. ft. of lettable office spaces and 45 car-parking spaces. The whole building has been leased to London Regional Transport as part of its headquarters on a full repair and insuring lease for 25 years without break, subject to upward-only rent review every 5 years. A rent review was undertaken in March 2002 and the rent has been revised upwards by 15% with effect from March 2002.

ISLAND PLACE – 510 KING'S ROAD, NORTH POINT

In addition, the Group has recently purchased two floors of office space in Island Place Tower for the purpose of long-term investment.

FUTURE OUTLOOK

Despite the continued economic downturn, the Company will forge ahead with the redevelopment of its bus depot at Chai Wan and of its site at Kam Hong Street, North Point. Your Board sees the current difficult conditions in the Hong Kong property market as an opportunity to lock-in development costs (e.g. premium payable for Government Lease modifications) as close to the bottom of the market as is possible. Your Board considers this a sound approach in order to extract the maximum benefit for shareholders out of any future recovery in property values.

With substantial funds available, the Group also intends to prudently pursue investment opportunities, including further investments in selected prime properties overseas promising attractive returns. This is a strategy which has served your Company well during the recent years and is likely to continue to do so in future.

APPRECIATION

The Board has been informed by Mr. James Y.C. So, C.B.E., J.P. that he will retire from the Board at the Annual General Meeting and that, consequently, he will not be offering himself for re-election as a Director. Mr. So joined the Board in 1998 as an independent non-executive Director. As a member of the board and Chairman of the Audit Committee Mr. So has played a valuable role in the affairs of the company. Members of the Board have over the years greatly appreciated his advice and insight. The Board wishes to record its gratitude to Mr. So for his effort and dedication as a Director, and wishes him well for the future.

NGAN Kit-ling
Chairman

Hong Kong, 24th October, 2002