

Chairman's Statement

HIGHLIGHTS

- Overall business environment continued to be challenging
- Operating performance generally resilient (occupancy rates: office: 92%, retail: 98%)
- Asset enhancement programme: repositioning exercise of Caroline Centre in good progress

OVERVIEW

During the period under review, the overall business environment continued to be challenging. Demand for office space remains weak, particularly in locations with major new supply. The outbreak of SARS in the community in March has had a severe short-term impact on retail activities, which sector is recovering well.

Against this background, the Group produced a generally resilient operating performance (occupancy rates: office: 92%, retail: 98%). We also continued to invest and enhance our asset value and underlying competitiveness. This includes the repositioning exercise of the retail podium of Caroline Centre, which is progressing well.

RESULTS

Net profit for the six months ended 30 June 2003 was HK\$250.9 million, 13% lower than 2002. Earnings per share also fell correspondingly to HK24.24 cents (2002 (re-stated): HK27.95 cents). Underlying this was reduced rental income and higher taxation (including the impact of a new accounting standard on deferred taxation).

The Group's operating performance is generally resilient. Gross rental income decreased by 4.2%, reflecting the impact of negative rental reversions and ongoing renovation works at Caroline Centre. The re-positioned residential Bamboo Grove development made increased contributions this year.

The Group adopted a new accounting standard regarding deferred tax, which have had an impact on both earnings and assets per share. Further details on increased taxation (including deferred taxation) are set out in "Operating Review - Finance".

DIVIDENDS

Your Directors have declared an interim dividend of HK10 cents per share (2002: HK10 cents). The dividend will be payable in cash with a scrip dividend alternative. Details on the payment of interim dividend including the scrip dividend arrangements are set out in "Shareholder Information" on the inside back cover.

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OUTLOOK

The overall leasing market is expected to remain difficult in the second half of 2003. However, we remain confident that with the strategies we put in place in recent years, we should be able to achieve a resilient performance.

Peter T. C. Lee

Chairman

Hong Kong, 19 August 2003