

CHAIRMAN'S STATEMENT

HIGHLIGHTS

- Hong Kong office market on recovery path
- Increased contributions from upgraded retail and residential properties
- Solid financial position geared to support corporate objectives

OVERVIEW

Our operating environment was more encouraging during the review period, in the light of a generally improved economy. Office rental levels continued its recovery path. Retail activities were active, particularly in major retail districts and shopping centres. Rental levels for luxury residential properties also showed some improvement.

While positive developments in the office market will only be translated into earnings in due course, the Group further improved its office occupancy to 97%.

The Group's upgraded retail and residential portfolios made improved contributions during the review period.

RESULTS

Net profit for the six months ended 30 June 2004 was HK\$304.9 million, HK\$58.8 million (23.9%) higher than in 2003 (2003 restated: HK\$246.1 million). Basic earnings per share also increased correspondingly to HK29.20 cents (2003 restated: HK23.77 cents). Gross rental income decreased by 5.7%, reflecting negative rental reversion principally in the office sector. There were improved contributions from the Group's overseas development activities. The Group wrote back an impairment loss previously provided for Singapore residential projects and had increased contributions from our Shanghai joint venture. Finance costs further decreased. The Group also recorded a gain from the disposal of marketable securities used to finance capital expenditure.

DIVIDENDS

Your Directors have declared an interim dividend of HK10 cents per share (2003: 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.

OUTLOOK

The property leasing market continued its recovery path as evidenced by the generally improved occupancy and rental levels. As the global economy improves amidst some uncertainties, negative rental reversion in the office sector is likely to continue into 2005.

Peter T.C. Lee
Chairman

Hong Kong, 18 August 2004