

# CHAIRMAN'S STATEMENT

## Overview

The investment property market continued to benefit from the generally improved economic environment as reflected in improved rental levels across the office, retail, and residential sectors. Office rental reversions also began to turn positive during the review period.

## Results

For the six months ended 30 June 2005, the Group's turnover was up 9.2% as increased contributions from the retail and residential sectors offset the 1.4% decrease in office rental income. Finance charges were, however, higher, in the light of generally higher market interest rates.

New applicable accounting standards were adopted for the review period. Underlying net profit, excluding the effect of revaluation of investment properties was up 19.9% to HK\$364 million (2004 restated: HK\$304 million). Underlying earnings per share for the period correspondingly rose by 19.2% to HK34.7 cents.

The Group conducted a valuation of its investment property portfolio duly reviewed and endorsed by independent professional valuer, resulting in a 10.2% rise in asset value since 31 December 2004. Valuation gains of HK\$2,799 million have now been taken through the statutory income statement as required under the new applicable accounting standards. Adjusted shareholders' funds rose by 12.8% to HK\$25,371 million, and adjusted net assets value per share rose by 12.6% to HK\$24.11 per share.

## Dividends

Your Directors have declared an interim dividend of HK10 cents per share (2004: 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

While the Hong Kong economy is likely to grow at a more moderate rate for the second half of the year, outlook for the investment property market remains positive. Overall, the Group's performance for the rest of the year should be satisfactory. Positive office rental reversions will be reflected in earnings growth for the Group in 2006.

**Peter T.C. Lee**

*Chairman*

Hong Kong, 9 August 2005