

CHAIRMAN'S STATEMENT

OVERVIEW

Global as well as local economic conditions remained broadly favourable, despite more subdued sentiment as a result of higher interest rates and increased oil prices. Against this background, the local investment property sector generally performed well.

RESULTS

For the six months ended 30 June 2006, the Group's turnover was HK\$620 million, up 1.2%. Excluding the contribution of Entertainment Building which was disposed of at the end of last year, turnover increased by 7.9%. This was attributable to stable rental growth achieved across the three sectors (Office: 6.6%; Retail: 9.2%; Residential: 10.2%).

Profit excluding asset value changes was HK\$428 million, up 17.6% from last year (2005: HK\$364 million). This reflected reduced finance charges attributable to lower debt level following the disposal of Entertainment Building, and gains on financial instruments recorded under applicable accounting standards.

As at 30 June 2006, the Group's investment properties were valued at HK\$30,972 million (31 December 2005: HK\$29,815 million). Adjusted shareholders' funds stood at HK\$28,482 million (31 December 2005: HK\$27,134 million), and adjusted net assets value per share was HK\$27.01 (31 December 2005: HK\$25.76).

DIVIDENDS

Your Directors have declared an interim dividend of HK10.0 cents per share (2005: HK10.0 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 global economy is generally positive despite growing concerns about the impact of interest rates, oil prices, and political developments on economic growth. Hong Kong's economy is therefore expected to remain stable for the rest of the year.

The Hong Kong investment property market should continue to be satisfactory, benefiting our commercial and residential sectors with steady rental growth.

Peter T.C. Lee

Chairman

Hong Kong, 8 August 2006