

PROSPECTS

The global economic slowdown has undermined the public confidence, affecting the progress of revitalization of the property market in Hong Kong. It is unquestionable that sentiment in the property market remained weak in the first half of 2001 and the Board remains cautious about the outlook for the balance of the year as the recent six times of interest rate cuts within the first half of 2001 has failed to re-engine the current vulnerable property market in Hong Kong. The Board does believe that the revitalization of the Hong Kong property market could only be materialized if the public confidence is returning and the local economy is approaching to a tangible recovery with an apparent improvement in real GDP and unemployment rate.

However, in the longer term, with China's imminent admission into the WTO and the award of 2008 Olympic Games to Beijing, China is poised to boost foreign investment into Shanghai as well as Hong Kong. The Board is of a strong belief that the Group's Hong Kong and Shanghai property portfolio will continue to perform well and have a steady growth in the long run. Hence, this core business is expected to generate a stable stream of income to the Group.

The Group remains well positioned to deliver solid performance into the future and for the year ahead, the Group will concentrate on the development of the prime residential land bank in Shanghai of 54,550 sq.m. of which the Group has a 48% equity interest. Upon completion in late 2001/early 2002, it is expected that over 120 detached houses and townhouses of first class hotel quality will be added to the Shanghai property portfolio.