

Chairman's Statement

Mr. Lee Ka Kit, Chairman and President



I am pleased to present to the Shareholders my report on the operations of the Group.

Profit & Turnover

The Group's consolidated net profit after taxation and minority interests for the year ended 30th June, 2001 amounted to HK\$168 million, representing an increase of 15% over that reported in the previous financial year. The turnover of your Group also showed an increase of 36% over that of the previous financial year and amounted to HK\$483 million.

Dividends

Your Board recommends the payment of a final dividend of HK\$0.06 per share to shareholders whose names appear on the Register of Members of the Company on 10th December, 2001. The total distribution per share of HK\$0.12 for the full year, including the interim dividend of HK\$0.06 per share already paid, represents a decrease of 25% from the total distribution in the previous year. Warrants for the final dividend will be sent to shareholders on 11th December, 2001.

Business Review

PROPERTY MARKET

With a continuous flow of market news during the financial year under review connected with the favourable development on China's accession to the World Trade Organisation and the application by Beijing City to host the Olympic Games, property markets in major commercial cities of Mainland China such as Beijing, Shanghai and Guangzhou had become more active. As a result, the price level as well as sales turnover of properties in these cities generally witnessed an increase.

PROPERTY DEVELOPMENT

The Group's development project situate directly on top of the Changshou Road Station of the Metro Line in Guangzhou known as Heng Bao Garden comprises seven high-rise residential towers containing over 1,300 residential units as well as a three-storey shopping podium with two basement floors. Sales of the residential units of this project achieved satisfactory results during the financial

Chairman’s Statement (cont’d)

year under review and the project was also completed prior to the end of the period under review. As of now, more than half of the total number of residential units in this project has been sold. Sales proceeds from this project together with proceeds from the recent launch for sale of more than 150 units from the Group’s existing stock in the State Apartments of the Beijing Henderson Centre are expected to generate abundant cash inflow and income to the Group. Also, during the financial year under review, almost the entire Phase VII of the jointly-owned Lexi New City project located in Panyu District of Guangdong Province comprising more than 960 residential units was sold out and pre-sale of Phase VIII of this project comprising over 2,500 residential units and certain shop units also recorded satisfactory response.

PROPERTY INVESTMENT

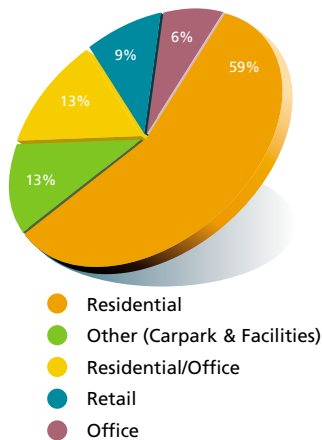
As at the end of the financial year under review, the investment property portfolio of the Group amounted to approximately 1.64 million sq.ft. in total attributable gross floor area. Such investment properties are all located in major cities being transportation nodal points with high intensity of population. During

the period under review, rental income of the Group which was mainly generated from the Beijing Henderson Centre and the Group’s rental properties in Shanghai showed a slight increase as compared to that registered in the previous financial year.

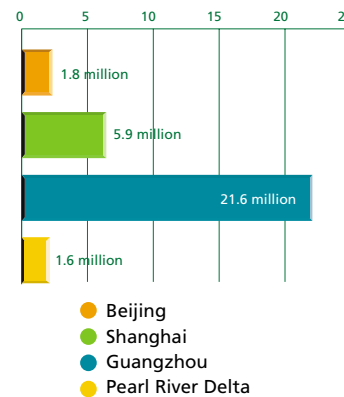
Prospects

In the past few years, the growth in Gross Domestic Product of Mainland China has been maintained at over 7% every year. Implementation of the economic reform policies by the central government has led to fast economic development in many cities and townships. It is anticipated that such high economic growth rate in Mainland China will be maintained for some time in future. Further, the central economic reform policies which have been adopted leave adequate room for citizens to accumulate wealth and this has presented as a strong force to vitalise the domestic property markets. Due to Mainland China’s impending accession to the World Trade Organisation, it is anticipated that this will attract a lot of business interests and representations from overseas to the major cities in Mainland China, particularly Beijing and Shanghai. These interests will therefore

Usage of Land Bank of the Group



Distribution of Land Bank of The Group (Not Counting Completed Development Footage)



Total land bank: 30.9 million
 (Note: Attributable gross development area above shown in square feet)

Chairman's Statement (cont'd)

also form as another force to create demand in the domestic property markets. Added to these, the successful application for Beijing to host the Olympic Games will result in the allocation of abundant resources by the central government for putting in place infrastructural and environmental improvement projects as well as any related establishments and facilities. The implementation of these projects will also be of benefit to the domestic property markets and the tourist industry throughout the country in the next few years.

In light of such developments in the domestic property markets, the Group will gradually implement its "Prime City, Prime Site" property development strategy and utilise proceeds generating from the sale of the Group's existing projects for funding the development of new projects in stages. In this regard, the Group currently plans to develop the project site located at the core of a newly established commercial business district in Beijing being No. 2 Guan Dong Dian situate in Chao Yang District which has a project site area of approximately 230,000 sq.ft.. Also, the Group is currently in negotiation with the project joint venture partners of The Grand Gateway, Lot E, Huashan Road, Xuhui District located in Shanghai and is considering the feasibility to develop high-rise commercial properties above the podium of this site solely by the Group.

In respect of the podium and basement floors of the Beijing Henderson Centre located in Beijing that has a total gross floor area of approximately 888,000 sq.ft., a major plan for re-orientation of the tenancy mix of this property is currently under way with the timing and the opportunities which may follow from Mainland China's forthcoming accession to the World Trade Organisation. This property

will be re-oriented to become a commercial and trading centre as well as a permanent exhibition centre for consumables and other products. In this connection, the Group has already signed up a tenancy lease for letting part of Basement Level 1 and Basement Level 2 of this property. In addition, the remaining part of this property including the 1st Floor to 3rd Floor will mainly be converted into serviced offices and exhibition premises for rental purpose. The tenancy mix re-orientation plan is expected to bring about more recurrent rental income to the Group. Furthermore, the newly completed retail shopping podium situate at the Heng Bao Garden, namely the Heng Bao Plaza, in Guangzhou has a total gross floor area of approximately 700,000 sq.ft.. As this property is situate at the traditional residential and busy shopping area in Guangzhou, it is expected to attract plenty of retail tenants of famous brand names from Hong Kong as well as from overseas and Mainland China.

Your Group will continue to closely observe any new market developments on the demand for properties in different regions in Mainland China and will take appropriate measures to expedite the Group's property development plans.

Finally, on behalf of the Shareholders and the Board of Directors, I would like to express my sincere appreciation to all staff for their contributions and good work performed.

Lee Ka Kit
Chairman

Hong Kong, 4th October, 2001

Property Development

Residential / Retail Complex

Heng Bao Garden, Li Wan District, Guangzhou



Total G.F.A.: approx. 2,245,000 sq.ft.;

100% owned by Group.

Situates above the Guangzhou Metro Line One – Changshou Road Station, this large-scale development project was completed in June 2001 with 7 residential towers built on top of a 5-storey podium that consists of shopping and carparking facilities. The pre-sale launch of this project which commenced in early 2001 was well received by local buyers.

Guangzhou Metro Line Route Map



1998 : Foundation works



1999-2001 : Under construction



2001 : Pre-sale launch at site