
Chairman's Statement

This is the first Annual Report of the Company not to contain a Chairman's Statement signed by Mr. Ngan Shing-Kwan, C.B.E., J.P., the Company's founder. Mr. Ngan passed away in Hong Kong on 14th April 2001. He founded the China Motor Bus Company in 1933. Through his leadership and vision spanning two generations of tremendous change and progress, the Company became a major bus operator in Hong Kong, providing a comprehensive, affordable and efficient public transport service. Under his guidance and advice, the Company transformed itself during the past decade from a transport provider into a successful property group, operating in Hong Kong and overseas. The directors are proud to have worked with Mr. Ngan and wish to express their appreciation of his immeasurable contribution to the Company over the years. Through his tirelessness, devotion, and genuine affection for the Company and its employees, he led by example and was an inspiration to those whose lives he touched. Mr. Ngan will be fondly remembered by all who had the privilege of knowing him.

GROUP RESULTS AND DIVIDENDS

The Board of Directors announces that the audited consolidated profit of the Group for the year ended 30th June, 2001 amounted to HK\$259.81 million, compared with HK\$231.06 million, for the previous year.

The Directors will recommend to shareholders at the forthcoming Ordinary Yearly Meeting to be held on Friday, 30th November, 2001 the payment of a final dividend of HK\$0.10 per share. The Directors will also recommend to the shareholders the payment of a special dividend of HK\$1.80 per share. These two dividends, together with the first interim dividend of HK\$0.10 per share, a special dividend of HK\$0.80 per share, and a second interim dividend of HK\$0.40 per share already paid, will make a total dividend for the year of HK\$3.20 per share, compared with HK\$4.16 per share for the previous year.

HIGHLIGHTS OF PROPERTY DEVELOPMENT AND INVESTMENTS:

SHAU KEI WAN INLAND LOT 843, ALDRICH BAY (LES SAISONS)

The development on Shau Kei Wan Inland Lot 843, in which the Group has a 20% interest, Swire Properties Limited has a 50% interest and Sun Hung Kai Properties Limited has a 30% interest, has a site area of approximately 75,950 sq. ft. The development comprises 864 residential units in four towers rising between 41 storeys and 47 storeys, with a total floor area of approximately 742,200 sq. ft. and 216 car parking spaces. In addition, the development also includes a large club house, outdoor pools, children's play areas and a landscaped podium garden. An application for the Occupation Permit for the development has been submitted and is expected to be issued before the end of October 2001. As at October 2001 about 63.3% of the residential units have been sold.

INLAND LOT 88, 391 CHAI WAN ROAD, CHAI WAN

Inland Lot 88, which is wholly owned by the Company, has a total site area of approximately 102,420 sq. ft. and is at present used as a bus depot. In May 2001, the site was rezoned by Government into a Comprehensive Development Area. The Company has commissioned a multi-disciplined team of professional consultants to assist in the submission of a Section 16 application to the Town Planning Board to redevelop the site into a residential and commercial complex with 10,000 sq. m. (107,640 sq. ft.) of retail space and 75,440 sq. m. (812,036 sq. ft.) of residential units. To maximize return for the Company before redevelopment starts, the ground to third floor of the bus depot has been leased to Citybus Limited commencing from 1st September 2001 and covers a period pending redevelopment.

ABERDEEN INLAND LOT 338 & 339, WONG CHUK HANG ROAD, ABERDEEN

The site on Inland Lots 338 & 339, in which the Group has a 50% interest and Swire Properties has a 50% interest, has a site area of 25,500 sq. ft. and is currently leased on a short term basis to a carpark operator. The development of the site, which has an industrial development potential of 382,000 sq. ft. has been suspended due to the poor market conditions for industrial space. In June 2001, Government has rezoned the site from "Industrial" to "Other Specified Uses" annotated "Business". The joint venture company owning the site has lodged an objection to the Town Planning Board in respect of the Draft Outline Zoning Plan gazetted in June 2001. The Town Planning Board has been requested to rezone the site to "Residential (Group E)" to enable a residential development to proceed.

Chairman's Statement (Continued)

THE REMAINING PORTION OF KOWLOON INLAND LOT 1300 (NO. 3, JORDAN ROAD, KOWLOON)

The Remaining Portion of Kowloon Inland Lot 1300 (No. 3, Jordan Road, Kowloon) has a site area of approximately 2,906 sq. ft. comprising a three storey building. In February 2001, the Group through one of its wholly-owned subsidiaries, purchased the property for redevelopment. It is the plan of the Group to demolish the existing building on the property and redevelop the property into a 26 storey building comprising serviced apartments and retail accommodation with a total gross floor area of approximately 29,880 sq. ft. Legal proceedings are in progress to obtain vacant possession of the property from the tenants. In view of the favourable location of the site, the property is expected to generate steady rental income for the Group upon completion of the redevelopment.

FUTURE OUTLOOK

The recovery of the property market at the beginning of the financial year under review has stalled as the year progressed and the expected downturn in the world economy makes it unlikely that the property market in Hong Kong will resume a recovery trend for the time being. Rental income from the Group's investment properties in Hong Kong is therefore expected to be adversely affected in the near term. On the other hand, recent acquisitions of high grade office buildings in the administrative and commercial centre of London coupled with the long leases to tenants with great covenant strength should continue to provide substantial and steady income for the Group in the years ahead. The Group is considering further investments in selective prime properties overseas when the right opportunity arises.

The ongoing sale of the remaining residential units at "Les Saisons" by a jointly controlled entity of the Group should also continue to contribute to the Group's profit in the coming year.

The Group has maintained substantial funds to forge ahead with the development of its own land in Hong Kong and intends to continue to prudently pursue investment opportunities promising attractive returns.

NGAN Kit-ling
Chairman

Hong Kong, 19th October, 2001