

FINANCIAL PERFORMANCE

The Directors of Kingsgate International Corporation Limited ("KIC") announce an unaudited operating profit after tax of \$3,379,000 for the six months ended 30 June 2001, compared with \$3,463,000 for the equivalent period the previous year. The earnings per share is 0.86 cents (2000: 0.88 cents). Total operating revenue was \$35,077,000, (2000: \$18,708,000). Revenue from normal operations was \$19,467,000 (2000: \$18,708,000) representing an increase of 4% during this period. Revenue of \$15,610,000 (2000: nil) is attributable to the sale of residential apartments. In the six months to 30 June 2001, interest expense incurred by the Company was down \$770,000 when compared to last year. However, in year 2000 \$3,162,000 (2001: nil) interest was capitalised against Birkenhead Quays residential apartments rather than expensed. This explains the fall in current year profits when compared to the equivalent period last year. Shareholders' funds as at 30 June 2001 totalled \$139,794,000, an increase of 1.5% since 31 December 2000. The net tangible asset value was 36 cents per share compared to 35 cents as at 31 December 2000.

MILLENNIUM HOTEL SYDNEY

For the first six months of 2001, total revenue of Millennium Hotel Sydney was \$9,001,000 which was a 5.8% decrease on the same period the previous year. This was due to 35% increase in hotel inventory and a flat economy. Food and Beverage revenues account for this shortfall due to the softening of the conference and catering market in Sydney over the last four months.

The Hotel's average occupancy during the first six months of the year was 82.0% compared with 76.5% for the previous year. This occupancy level compares favourably with our immediate market competitors, who averaged 72.4%. As a result of certain marketing initiatives the Hotel recorded a 2.0% increase in Australian dollar yield during the first 6 months of this year compared to the previous year.

The forecast for the rest of the year is encouraging, although we do not expect to achieve the same levels as last year as there are no major events such as the Olympics planned for the city.

KINGSGATE SHOPPING CENTRE

The Kingsgate Shopping Centre at the Hotel showed an improved performance during the period under review. Its turnover for the first six months of this year was 18% higher than that in the previous year although the occupancy at 81% was 7% lower. The Centre achieved an 11.6% increase on the Australian dollar average rental rate per square metre.

BIRKENHEAD POINT SHOPPING CENTRE

For the six months ended 30 June 2001, the Birkenhead Point Shopping Centre reported an 11% increase in gross revenue compared to last year. Occupancy in the retail space during the 6 months ended 30 June 2001 averaged 96.1% compared to 94.6% for the previous year. The centre achieved an excellent 12.7% increase in the Australian dollar average rental rate per square metre overall compared to the previous half year. Occupancy in the office space was down by 15% due to the termination of one significant tenant.

A \$466,000 refurbishment was carried out in this period on the air-conditioning plant within the centre and also to upgrade the fire services. This programme will result in some savings on energy services and repairs and maintenance, and will also add to the asset's value. This will also assist customer patronage and tenant retention.

On 1 June 2001, a car park management plan commenced to achieve an income stream from this facility. Very little net income for the Company is expected until such time as shoppers begin to pay for their parking (currently first 3 hours are free) and the cost of the equipment is fully recovered.

BIRKENHEAD POINT MARINA

For the six months ended 30 June 2001, Marina revenues decreased 17% compared to the previous period. Usable berths decreased from 191 to 177. This was partly due to the removal of berths outside the breakwater as required by the Waterways Authority. These berths normally accommodate large vessels representing 16% of our annual marina income. Also, other berths were removed due to the ageing state of the marina. Of the 177 berths remaining, occupancy stands at an excellent 98%, which demonstrates the high demand for such a facility in the Sydney Harbour area.

The approval for the redevelopment of the marina is expected by October 2001. This redevelopment will result in increased marina revenues in line with the current market and decreased operating expenses.

BIRKENHEAD QUAYS PROJECT

Stage 2 of the Birkenhead Quays residential project, consisting of three Waterfront Luxury Apartment Blocks totalling 148 units, was successfully completed in December 2000, on schedule and within budget. During the first six months of this year, another 17 units valued at \$15,610,000, were sold thus bringing the total number of sales for Stage 2 to 112. Management are confident that the remaining 36 units will be sold by the end of this year. Building approval has been received from Council for the construction of a further 24 units in Stage 3. However, no commitment has been made by the Company to this project.

REDEMPTION OF PREFERENCE SHARES

Due to the encouraging cashflow situation of the Company in the past six months, 50% of the preference shares issued on 18 September 1998 were redeemed on a pro-rata basis by the Company. All accumulated and unpaid dividends in respect of the year ended 18 September 2000 and for the period from 14 September 2000 to redemption date were also paid out on 15 June 2001. The part redemption and payment of dividends totalled \$21,459,787.

FUTURE OUTLOOK

The outlook for the second half of the year is promising.

Strong retail occupancy, new anchor tenants, improved maintenance and continued marketing programmes should see the revenues of the Birkenhead Point Shopping Centre continue to improve, thus resulting in a higher capitalised value for the asset. Management are confident that the remaining units from Stage 2 of the Birkenhead Quays residential project will

be sold by the end of this year. Improved management of the car park and refurbishment of the marina will see improved income streams from these assets from 2002 onwards. Hotel occupancies are expected to continue at acceptable levels.

Barring unforeseen circumstances, the Directors anticipate a satisfactory second half result and a positive net operating profit for the full year.

CHANGES TO THE BOARD

Mr Anthony Lee, who is proceeding overseas, resigned on 18 July and Mr Tsang Jat Meng was appointed to the board on 19 July 2001.

J Wilson

Chairman

3 September 2001