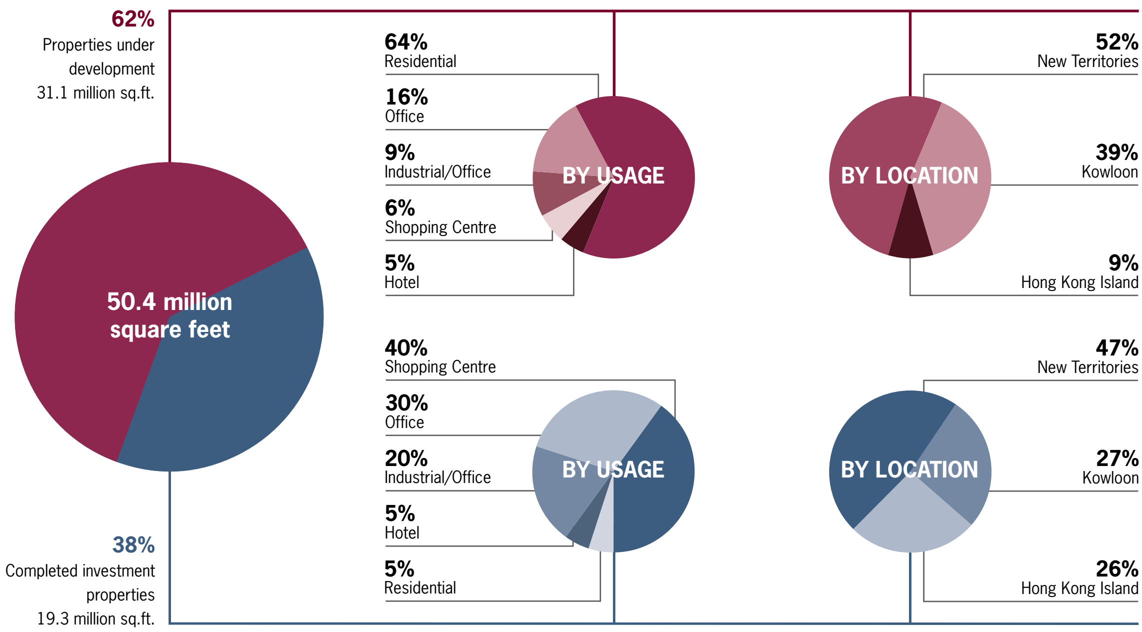
REVIEW OF OPERATIONS

REVIEW OF OPERATIONS – LAND BANK

Composition of the Group's Land Bank in Hong Kong

– 50.4 million square feet in attributable gross floor area



The Group's land bank in Hong Kong amounts to 50.4 million square feet in attributable terms. One new site in Tin Ping Shan, Sheung Shui was added to the land bank through land use conversion during the year. The 173,000 square-foot site will be developed into 537,000 square feet of residential premises. The Group reached an agreement with the government to pay land premiums of HK$2.1 billion for seven sites in November last year.

The current land bank is sufficient for development needs over the next five years, and the Group will continue to replenish it when appropriate. The Group has 31.1 million square feet of properties under development. About 23.3 million square feet of these will be sold, while the remaining 7.8 million square feet will be added to the Group's completed investment property portfolio, which now stands at 19.3 million square feet.

In addition, the Group has over 21 million square feet of agricultural land, in terms of site area, located in various parts of the New Territories. Most of these sites are in the process of land use conversion, principally for residential development.

The Group's land bank is well diversified in terms of usage and location. About 15 per cent of the Group's total land bank is on Hong Kong Island and 35 per cent in Kowloon, while the remaining 50 per cent is spread throughout various new towns in the New Territories.

About 64 per cent of the properties under development are residential; mainly large-scale estates with predominantly small-to-medium-sized units for sale.

The Group aims to build ideal homes for its customers and is always adopting new measures to raise product quality, customer service and property management standards further. This strong commitment to quality and excellence has created a strong brand name over the years that adds to the Group's competitiveness.

The Group's land bank on the Mainland is described under Mainland Business on page 60. Its land bank in Hong Kong, in attributable gross floor area by status and usage, is as follows:

Status and Usage

	Attributable Gross Floor Area (million square feet)					
	Residential	**Shopping Centre**	**Office**	**Hotel**	**Industrial/ Office***	**Total**
Development for sale	20.0	–	0.6	–	2.7	23.3
Development for investment	–	1.7	4.5	1.6	–	7.8
Completed investment properties	1.0	7.7	5.9	0.9	3.8	19.3
Total	**21.0**	**9.4**	**11.0**	**2.5**	**6.5**	**50.4**

* *Industrial/office properties include godowns.*

The Group's land bank in Hong Kong, in attributable gross floor area by status and location, is as follows:

Status and Location

	Attributable Gross Floor Area (million square feet)			
	Hong Kong Island	**Kowloon**	**New Territories**	**Total**
Development for sale	1.2	6.6	15.5	23.3
Development for investment	1.6	5.6	0.6	7.8
Completed investment properties	5.0	5.2	9.1	19.3
Total	**7.8**	**17.4**	**25.2**	**50.4**

PROPERTY DEVELOPMENT

The Group offers products and customer service of the highest quality and a comprehensive lifestyle to satisfy residents. It is dedicated to building properties with better designs, more efficient layouts and premium quality in construction and finishes.

The Leighton Hill, Happy Valley

REVIEW OF OPERATIONS – PROPERTY DEVELOPMENT

With classic columns and marble finishes, The Leighton Hill represents a new generation of luxury living in Hong Kong.

Liberté in Cheung Sha Wan is popular because of its top-quality design and first-class materials. It also offers residents twin clubhouses.

PROPERTY SALES

Properties sold and presold by the Group in the year ended 30th June 2002 amounted to HK$15,151 million in attributable terms. The figure for last year was HK$19,641 million, which included proceeds from the sale of The Leighton Hill in Happy Valley. Major residential projects sold during the year under review included Villa by the Park in Yuen Long, Park Central in Tseung Kwan O and Liberté in Cheung Sha Wan.

PROJECT COMPLETION SCHEDULE

During the year ended 30th June 2002, the Group completed a total of 11 projects with an aggregate attributable gross floor area of 4.6 million square feet, comprising mainly residential properties. About 90 per cent of the residential properties for sale completed during the year have been sold. Millennium Trade Centre in Kwai Chung is being kept for long-term rental.

The Group expects to complete another ten projects in the financial year 2002/03, with an aggregate attributable gross floor area of 6.2 million square feet. The increase in completed gross floor area is due to higher completion level of office and retail space.

Projects to be Completed in FY2002/03

Location	Project Name
Ma Wan Development	Park Island Phase 1
Tseung Kwan O Town Lots 57 & 66	Park Central
88 O King Road, Tseung Kwan O	Ocean Shores Phase 3A
Tuen Mun Town Lot 374	Aegean Coast
Shui Pin Wai, Yuen Long	Villa by the Park
1 Ho Man Tin Hill Road, Kowloon	1 Ho Man Tin Hill
1 & 3 Po Shan Road, Mid-Levels	1 Po Shan Road
71 Mount Kellett Road, The Peak	71 Mount Kellett Road
Airport Railway Hong Kong Station Development	Two International Finance Centre
370 Kwun Tong Road	Millennium City Phase 3
Year Total	

Projects completed in financial year 2001/02 are summarized by usage and by status as follows, details of which are listed in the Chairman's Statement on page 11.

Projects Completed in FY2001/02

	Attributable Gross Floor Area (million square feet)			
	Residential	**Shopping Centre**	**Office**	**Total**
For sale	4.5	*	*	4.5
For investment	–	*	0.1	0.1
Total	**4.5**	*****	**0.1**	**4.6**

* *Less than 0.1 million square feet*

Projects to be completed in financial year 2002/03 and details are listed below:

Projects to be Completed in FY2002/03

	Attributable Gross Floor Area (million square feet)			
	Residential	**Shopping Centre**	**Office**	**Total**
For sale	4.7	–	0.1	4.8
For investment	–	0.5	0.9	1.4
Total	**4.7**	**0.5**	**1.0**	**6.2**

	Attributable Gross Floor Area (square feet)			
Group's Interest (%)	**Residential**	**Shopping Centre**	**Office**	**Total**
Joint venture	1,765,000	86,100	–	1,851,100
57.52/25	1,397,500	195,500	–	1,593,000
49	497,000	10,500	–	507,500
25	306,500	5,500	–	312,000
100	439,500	–	–	439,500
Joint venture	158,000	–	–	158,000
60	72,000	–	–	72,000
100	14,000	–	–	14,000
47.5	–	242,000	927,000	1,169,000
70	–	–	108,000	108,000
	4,649,500	**539,600**	**1,035,000**	**6,224,100**

Details of projects to be completed in financial year 2003/04 and beyond are listed below:

Projects to be Completed in FY2003/04

Location	Project Name	Group's Interest (%)	Residential
Yuen Long Town Lot 503	–	100	1,180,000
Ma Wan Development	Park Island Phase 2	Joint venture	998,000
Tuen Mun Town Lot 399	–	100	375,000
Yunnan Lane, Yau Ma Tei	–	Joint venture	344,000
Tin Shui Wai Town Lot 27	–	40	321,000
8, 12 & 16 Severn Road, The Peak	–	100	59,000
88 O King Road, Tseung Kwan O	Ocean Shores Phase 3B	49	289,000
New Kowloon Inland Lot 6328, Cheung Sha Wan	Liberté	35.44	541,000
Ap Lei Chau Inland Lot 128	Sham Wan Towers	100	454,000
18 Farm Road, Kowloon	–	100	223,000
Airport Railway Hong Kong Station Development	Two International Finance Centre	47.5	–
Year Total			**4,784,000**

Major Projects to be Completed in FY2004/05 and beyond

Location	Group's Interest (%)	Residential
Ma Wan Development – Park Island Phase 3	Joint venture	901,000
Tsuen Wan Town Lot 373 (formerly Tsuen Wan Town Lots 77 & 89)	100	1,113,000
Airport Railway Olympic Station Development Package 3	Joint venture	1,110,000
Airport Railway Kowloon Station Development Package 3	Joint venture	1,076,000
To Fung Shan Phases 2, 3 & 4, Shatin	100	744,000
Kwu Tung Phases 2 & 3, Sheung Shui	100	603,500
Tin Ping Shan, Sheung Shui	100	537,000
Ngau Tam Mei, Yuen Long	100	383,000
New Kowloon Inland Lot 6275, Cheung Sha Wan	50	648,000
Yuen Long Town Lot 504	100	1,454,000
New Kowloon Marine Lot 3, Lai Chi Kok	33.3	350,000
Airport Railway Kowloon Station Development Packages 5, 6, & 7	Joint venture	1,009,000
418 Kwun Tong Road – Millennium City Phase 5	100	–
392 Kwun Tong Road	100	–
Total		**9,928,500**

Attributable Gross Floor Area (square feet)

Shopping Centre	Hotel	Total
–	–	1,180,000
–	–	998,000
–	–	375,000
–	–	344,000
–	–	321,000
–	–	59,000
–	–	289,000
21,000	–	562,000
16,000	–	470,000
45,000	–	268,000
–	523,000	523,000
82,000	**523,000**	**5,389,000**

Attributable Gross Floor Area (square feet)

Shopping Centre	Office	Hotel	Total
–	–	–	901,000
–	–	–	1,113,000
–	–	–	1,110,000
–	–	–	1,076,000
–	–	–	744,000
–	–	–	603,500
–	–	–	537,000
–	–	–	383,000
77,000	–	–	725,000
249,000	–	–	1,703,000
18,000	–	–	368,000
171,000	2,495,000	1,023,000	4,698,000
575,000	707,000	–	1,282,000
–	360,000	–	360,000
1,090,000	**3,562,000**	**1,023,000**	**15,603,500**

Residents of Ocean Shores, Tseung Kwan O, have easy access to various parts of the territory with the opening of the MTR extension in August 2002.

Villa by the Park in Yuen Long attracted strong interest when put on the market last year.

Major Projects Under Development

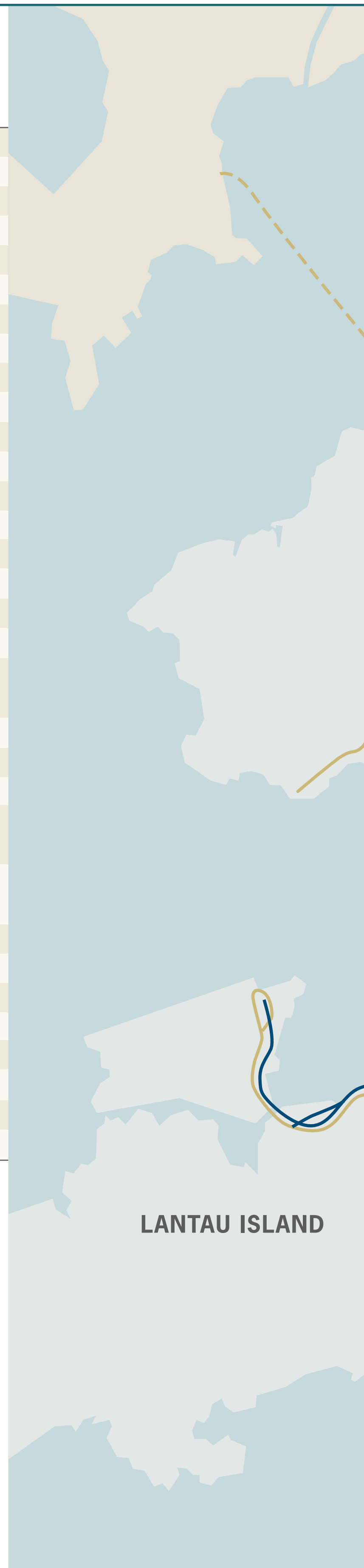
■ Residential ■ Shopping Centre ■ Office ■ Industrial/Office ■ Hotel

		Residential	Shopping Centre	Office	Industrial/Office	Hotel
1	Park Central	■	■			
2	Ocean Shores Phase 3	■	■			
3	To Fung Shan Phases 2, 3 & 4	■				
4	Tin Ping Shan	■				
5	Kwu Tung	■				
6	Shek Wu Wai	■				
7	Ngau Tam Mei	■				
8	Tin Shui Wai Town Lot 27	■				
9	Yuen Long Town Lot 503	■				
10	Yuen Long Town Lot 504	■	■			
11	Villa by the Park	■				
12	Tuen Mun Town Lot 399	■				
13	Aegean Coast	■	■			
14	Park Island	■	■			
15	Tsuen Wan Town Lot 373	■				
16	New Kowloon Marine Lot 3	■	■			
17	Liberté	■	■			
18	New Kowloon Inland Lot 6275	■	■			
19	Airport Railway Olympic Station Development Package 3	■				
20	1 Ho Man Tin Hill	■				
21	18 Farm Road	■	■			
22	Yunnan Lane	■				
23	Airport Railway Kowloon Station Development Package 3	■				
24	Airport Railway Kowloon Station Development Packages 5, 6 & 7	■	■	■		■
25	Sham Wan Towers	■	■			
26	Ap Lei Chau Inland Lot 129	■				
27	Two International Finance Centre		■	■		■
28	Millennium City Phase 5		■	■		
29	392 Kwun Tong Road			■		
30	20-22 Siu Lek Yuen Road				■	
31	12-23 Wang Wo Tsai Street				■	
32	51-53 Kwai Cheong Road				■	

Existing
Railways
Major Highways
Railway Interchange
Cross Harbour Tunnel

Under Construction
Railways

Planned (completion by 2008)
Railways
Major Highways




SHENZHEN
NEW TERRITORIES
KOWLOON
HONG KONG ISLAND
West Rail
(completion in 2003)
Ma On Shan Rail
(completion in 2004)
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The Group's properties are built to meet the highest standards, offering residents a comprehensive lifestyle.

PROGRESS OF MAJOR DEVELOPMENTS

Ocean Shores

88 O King Road, Tseung Kwan O (49% owned)

Ocean Shores is one of the largest private residential developments in the district. The whole project covers 540,000 square feet and has over 5,000 units with a total gross floor area of four million square feet. Phase 3, the last phase of the development, was launched for sale in May this year. Response was satisfactory for the 2,272 units offered. Phases 1 and 2 are already complete and substantially sold.

Park Island

Ma Wan Development (Joint venture)

Park Island has a total gross floor area of over 3.7 million square feet offering over 5,000 units in a wide range of sizes and types on a 1.4 million square-foot site. The residential development is designed as a modern, pollution-free living environment. The first 2,569 units were completed in August 2002 and offered for sale in the same month. Park Island Phase 1 sold extremely well, with virtually all units taken up in about two weeks. The remaining phases will be finished over three years.

Park Central

Tseung Kwan O Town Lots 57 (57.52% owned) & 66 (25% owned)

Park Central has a site area of 360,000 square feet being developed into 2.9 million square feet of small to medium sized units and a 360,000 square-foot shopping mall. The property is at the centre of Tseung Kwan O, surrounded by well-planned community and recreational facilities. With the new MTR extension, transportation is also very convenient. The first phase of 1,872 units is already 80 per cent sold, and construction finished in the third quarter of 2002. Pre-sale of the second phase, which is scheduled for completion in the first half of 2003, is progressing satisfactorily.

Two International Finance Centre

Airport Railway Hong Kong Station Development (47.5% owned)

International Finance Centre is the largest commercial development in Central of the last decade, occupying a site area of 430,000 square feet. Two International Finance Centre consists of an 88-storey office tower, shopping mall and two hotel blocks. The office tower will contain almost two million square feet of top-quality office space to be completed in mid-2003. Complementing its strategic location, it will feature interactive facilities and an intelligent design to meet the needs of modern business. The shopping mall will have over half a million square feet of gross floor area. The 1.1 million square-foot hotel complex to be managed by Four Seasons Hotels and Resorts will be ready towards the end of 2004.

Yuen Long Town Lot 503

(100% owned)

The Group will build more than 2,000 small-to-medium residential units on this 236,000 square-foot site, with a total gross floor area of 1.2 million square feet. The development forms part of the Group's plan to build a new cluster of residential and commercial complexes around the Yuen Long West Rail station. This large-scale project, together with the West Rail that is scheduled to commence operations in late 2003, will help tranform Yuen Long into a vibrant community in the New Territories. Construction of the residential project is now under way, set for completion in the first half of 2004.

Two IFC, a new landmark on the Central waterfront, will have a world-renowned six-star Four Seasons hotel.

Millennium City Phase 5 will contain a regional shopping centre of about 600,000 square feet.

Package 3 of the Airport Railway Olympic Station Development, offering over 1,800 small to medium units, combines comprehensive facilities with top-quality design.

Millennium City Phase 5

418 Kwun Tong Road (100% owned)

Phase 5, with a site area of 107,000 square feet, will contain over 700,000 square feet of office space on top of a regional shopping centre of about 600,000 square feet. It is the single largest component of Millennium City, a new commercial hub in Kowloon East. In June this year the Group reached an agreement to sell 407,000 square feet of office space in Phase 5 to a major local bank. This prestigious occupant will help increase the whole development's attractiveness and rental value. The remaining area will be held as a long-term investment. Construction is scheduled for completion in late 2004.

Airport Railway Kowloon Station Development Package 3

(Joint venture)

This project is above Kowloon Station on the Airport Railway, which is soon to be a major cultural and transportation hub. It has a site area of 172,000 square feet being developed into over one million square feet of luxury residences, with about 1,000 units in a wide range of sizes. Completion is scheduled for late 2004.

Airport Railway Olympic Station Development Package 3

(Joint venture)

In November last year, the Group and the government agreed on the land premium to change the use of this site, next to Olympic Station on the Airport Railway, from hotel to residential. Over 1.1 million square feet of residential properties, amounting to over 1,800 small to medium units, will be developed on this 185,000 square-foot site. Completion is expected in 2005.

Tsuen Wan Town Lot 373

(100% owned)

The Group plans to develop over 1,700 serviced apartments with a total gross floor area of 1.1 million square feet on this 112,000 square-foot site. The land premium for this development has been agreed and paid. Foundation work has commenced and construction is expected to finish in 2005.

Yuen Long Town Lot 504

(100% owned)

This development has a total gross floor area of 1.7 million square feet on a 318,000 square-foot site. The Group plans to build almost 1.5 million square feet of residential premises in about 2,500 small to medium units on top of a retail podium.

Airport Railway Kowloon Station Development Packages 5, 6 and 7

(Joint venture)

With a site area of approximately 790,000 square feet, this development consists of 2.5 million square feet of top-quality offices, one million square feet of residential and serviced apartments, another million square feet of hotel space and 0.9 million square feet of shopping area. Of the total 5.4 million square feet, 4.7 million is attributable to the Group. Situated above Kowloon Station on the Airport Railway and at the heart of a key future commercial and cultural district of Hong Kong, the project will feature the most modern design and intelligent facilities. It will be completed in phases over the next five years.

Yuen Long Town Lot 503 (pictured) and Yuen Long Town Lot 504 form a significant part of the Group's plan to build a new cluster of residential and commercial complexes around the Yuen Long West Rail station.

Airport Railway Kowloon Station Development Packages 5, 6 & 7 will be an integrated commercial and residential complex at the heart of a key future commercial and cultural district.

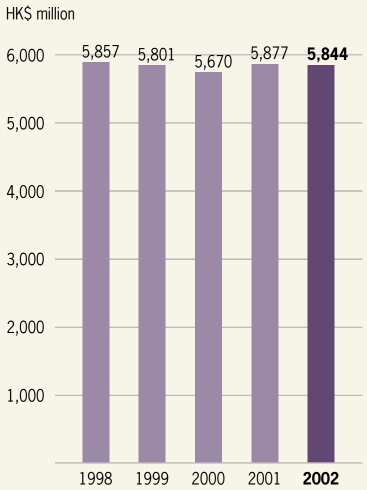
PROPERTY INVESTMENT

The Group maintains an optimal tenant mix in its investment property portfolio, and strives to raise the standard of customer and tenant service. Aiming to be the landlord of first choice, the Group offers tenants comprehensive facilities, ultra-modern intelligent designs and top-quality customer service.

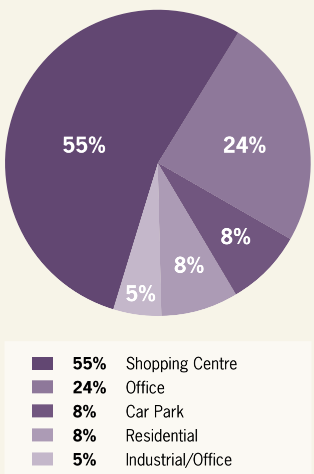
International Finance Centre, Central

REVIEW OF OPERATIONS – PROPERTY INVESTMENT

Gross Rental Income*



Gross Rental Income* by Sector



* *Including contributions from jointly–controlled entities and associates*

The Group's rental portfolio continued to perform well during the year under review, despite a difficult time in the leasing market. Occupancy of the Group's 19.3 million square-foot investment portfolio in Hong Kong remained satisfactory at 92 per cent. Including contributions from jointly-controlled entities and associates, gross rental income was HK$5,844 million, compared to HK$5,877 million last year. Net rental income rose modestly to HK$4,432 million from HK$4,401 million. The slight increase in operating margin was due mainly to improved efficiency and cost controls.

During the period under review, the Group created a new 'Signature Homes' brand to handle leasing of all its luxury residential developments. This was done to strengthen the Group's market-leading position further and improve rental values. Signature Homes offers tenants one-stop leasing convenience, with six-star service and special privileges from the Group's hotels. This makes its luxury residential portfolio the first choice for accommodation among senior executives of multinationals.

With the timing of a global economic recovery uncertain, the leasing market in Hong Kong is expected to remain generally soft. At the same time, while retail leasing is likely to be challenging in the coming year, higher two-way traffic between the Mainland and Hong Kong will continue to benefit the Group's shopping centres along the railway network.

Over the short term, the grade A office market in Hong Kong will continue to face a difficult economic environment due to slower growth worldwide. However, over the medium to longer term, the demand for top-quality office space is likely to increase as a result of the further opening up of the Mainland market and Hong Kong's status as an international finance and business centre. The Group will continue to upgrade its investment portfolio and add value by incorporating the latest technology and modern facilities in its properties, as well as carrying out regular renovations.

The Group will continue to monitor the market and needs of its valued tenants closely to ensure that occupancy is maintained at a satisfactory level.

The Group will also consider the disposal of some non-core properties to maintain an optimal portfolio mix, while maintaining a solid base for long-term growth by developing quality new rental properties. To illustrate, the Group recently disposed of its 25 per cent stakes in two commercial complexes in the New Territories, realizing a respectable return.

The Group's current investment portfolio in Hong Kong, including its attributable share of jointly-controlled entities is as follows:

Status and Usage

Attributable Gross Floor Area (million square feet)

	Residential	Shopping Centre	Office	Hotel	Industrial/ Office	Total
Completed	1.0	7.7	5.9	0.9	3.8	19.3
Under Development	–	1.7	4.5	1.6	–	7.8
Total	**1.0**	**9.4**	**10.4**	**2.5**	**3.8**	**27.1**

COMPLETED INVESTMENT PROPERTIES

Shopping Centres

The Group has the largest network of shopping centres in Hong Kong, with an attributable gross floor area of 7.7 million square feet. The majority of these malls are in new towns, occupied by retail tenants supplying daily necessities to nearby residents. Prime locations and convenience have kept retail occupancy high, and rents are largely steady in the face of economic fluctuations. The Group's flagship mall, New Town Plaza in Shatin, and its other major shopping centres such as East Point City in Tseung Kwan O and Grand Century Place in Mongkok, remained virtually fully occupied during the year.

Grand Century Place in Mongkok is a popular destination for shoppers of all ages.

Regular promotions and other initiatives in the Group's major shopping centres, particularly during summer and festive seasons, keep pedestrian flows high. In addition, the Group's malls undergo regular renovations to keep them fresh. Metroplaza recently underwent a carefully-planned facelift, resulting in a better layout and utilization of space, and at the same time, the mall adopted a new colour scheme based on the four seasons. The mall is now virtually fully let, and rents are up. Renovations to New Town Plaza are being planned to strengthen branding and enhance rental values.

Offices

The Group's investment portfolio includes 5.9 million square feet of prime office space. Despite a weak market, occupancy of the Group's offices for rent remained satisfactory. The Group will continue incorporating the latest technology and sophisticated facilities in its office projects to satisfy the requirements of increasingly demanding tenants.

Residential

The Group owns one million square feet of residential investment property, a large proportion of which is made up of luxury developments like Dynasty Court and Hillsborough Court in Mid-Levels. Leasing of these properties is satisfactory, and they contribute steady rental income to the Group.

Metroplaza in Kwai Fong has a better layout and more efficient use of space after renovation.

The Group's investment properties are showcases for top-quality design, modern facilities and the highest construction standands.

Car Parks

Including its attributable share from jointly-controlled entities, the Group currently owns 26,000 parking bays that generated HK$472 million in rental income during the year, as compared with HK$507 million in the previous year. The Group will continue to build car parks attached to its commercial complexes, to enhance the value of its investment property portfolio.

Other Properties

The Group also has 30 cinema houses in its various shopping centres. These help to attract visitors and bring business to tenants. In addition, the Group's rental portfolio includes a number of industrial and godown properties, including data centres. The Group is exploring opportunities to convert some of these to other uses.

INVESTMENT PROPERTIES UNDER DEVELOPMENT

As previously stated, the Group may dispose of some non-core properties while adding quality new rental projects to achieve an optimal mix in its investment property portfolio. To this end, it has some 7.8 million square feet of new investment property, in attributable terms, under development.

Of the investment property under development, retail space will account for 1.7 million square feet, which will be spread across the territory, while another 1.6 million square feet is designated as top-quality hotels and suites. Grade-A office space makes up 4.5 million square feet of the Group's new investment property.

The majority of these developments are landmark projects, including Two International Finance Centre in Central, Airport Railway Kowloon Station Development Packages 5, 6, & 7 and Millennium City in Kowloon East. Details of these projects are included under Property Development on pages 34 – 37.

Major Investment Properties Under Development Include:

Shopping Centres

- Two International Finance Centre
- Shopping centre in Park Central
- Millennium City Phase 5 (418 Kwun Tong Road)
- Shopping centre in Airport Railway Kowloon Station Development Packages 5, 6 & 7
- Shopping centre at Yuen Long Town Lot 504

Offices

- Two International Finance Centre
- Millennium City Phase 3 (370 Kwun Tong Road)
- Millennium City Phase 5 (418 Kwun Tong Road)
- Offices in Airport Railway Kowloon Station Development Packages 5, 6 & 7

The Group's shopping malls feature easy access, strategic locations and comprehensive facilities.

New Town Plaza is one of Hong Kong's most popular shopping malls, due to an optimal tenant mix providing wide choice for customers.

Major Completed Investment Properties

Name	Location
Hong Kong Island	
Sun Hung Kai Centre	30 Harbour Road, Wanchai
World Trade Centre	280 Gloucester Road, Causeway Bay
One International Finance Centre	1 Harbour View Street, Central
Harbour Centre	25 Harbour Road, Wanchai
Central Plaza	18 Harbour Road, Wanchai
Dynasty Court (Blocks 2 & 3)	23 Old Peak Road
Pacific View (Blocks 2 & 3)	38 Tai Tam Road
Hillsborough Court (Block 4)	18 Old Peak Road
Kowloon	
Grand Century Place	193 Prince Edward Road West, Mongkok
Millennium City Phase 1*	388 Kwun Tong Road
Millennium City Phase 2	378 Kwun Tong Road
The Sun Arcade	28 Canton Road, Tsim Sha Tsui
Royal Plaza Hotel	193 Prince Edward Road West, Mongkok
Royal Garden Hotel	69 Mody Road, Tsim Sha Tsui
Kerry Hung Kai Godown	3 Fat Tseung Street, Cheung Sha Wan
New Tech Plaza	34 Tai Yau Street, San Po Kong
APEC Plaza	49 Hoi Yuen Road, Kwun Tong
Peninsula Tower	538 Castle Peak Road, Cheung Sha Wan
Hing Wah Centre	82-84 To Kwa Wan Road
New Territories	
New Town Plaza I	18 Shatin Centre Street, Shatin
Tai Po Mega Mall	9 On Pong Road, Tai Po
Tsuen Wan Plaza	5-21 Pak Tin Par Street, Tsuen Wan
East Point City Shopping Centre	8 Chung Wa Road, Tseung Kwan O
New Town Plaza III	2-8 Shatin Centre Street, Shatin
Sun Yuen Long Centre Shopping Centre	8 Long Yat Road, Yuen Long
Yuen Long Plaza Shopping Arcade	249-251 Castle Peak Road, Yuen Long
Uptown Plaza Shopping Arcade	9 Nam Wan Road, Tai Po
Metroplaza Tower I & Shopping Centre	223 Hing Fong Road, Kwai Chung
Grand Central Plaza	138 Shatin Rural Committee Road, Shatin
Landmark North	39 Lung Sum Avenue, Sheung Shui
Grand City Plaza	1-17 Sai Lau Kok Road, Tsuen Wan
Citygate	Tung Chung Town Lot 2
Royal Park Hotel	8 Pak Hok Ting Street, Shatin
Sunhing Hungkai Godown	8 Wong Chuk Yeung Street, Shatin
Advanced Technology Centre	2 Choi Fat Street, Sheung Shui

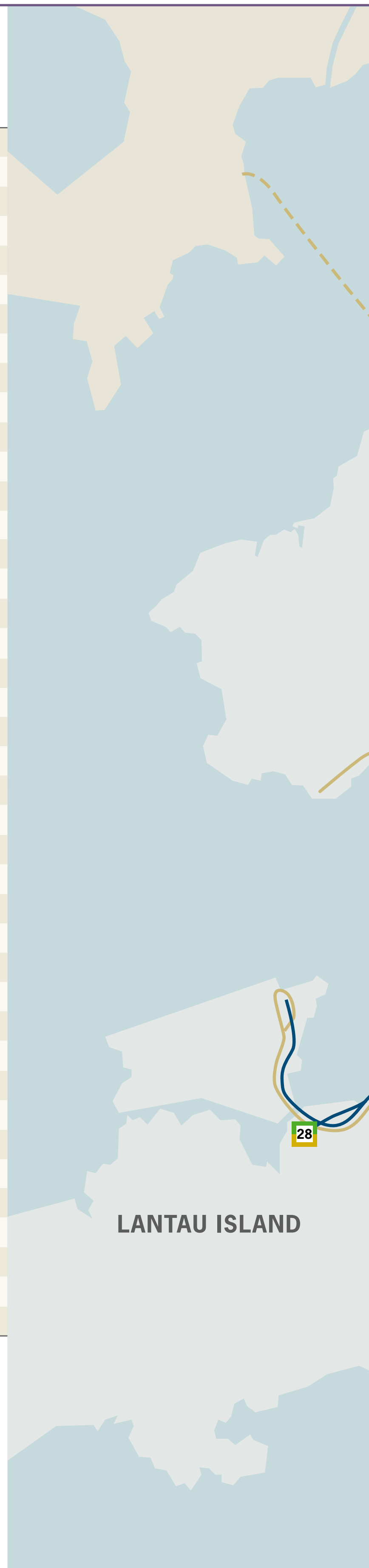
* *Including the attributable share in areas held by SUNeVision, in which the Group has an 84.8 per cent interest*

		Attributable Gross Floor Area (square feet)					
Lease Expiry	**Group's Interest (%)**	**Residential**	**Shopping Centre**	**Office**	**Hotel**	**Industrial/ Office**	**Total**
2127	100	–	53,400	850,600	–	–	904,000
2842	100	–	162,000	350,000	–	–	512,000
2047	47.5	–	62,000	373,000	–	–	435,000
2128	33.3	–	20,500	80,000	–	–	100,500
2047	50	–	–	700,000	–	–	700,000
2886	100	341,000	–	–	–	–	341,000
2047	100	316,700	–	–	–	–	316,700
2884	100	159,500	–	–	–	–	159,500
2047	100	–	725,000	475,000	–	–	1,200,000
2047	100	–	27,000	890,000	–	–	917,000
2047	50	–	–	133,000	–	–	133,000
2047	100	–	204,800	–	–	–	204,800
2047	100	–	–	–	400,000	–	400,000
2127	100	–	–	–	295,000	–	295,000
2047	50	–	–	–	–	285,000	285,000
2047	100	–	–	–	–	268,800	268,800
2047	100	–	–	–	–	240,000	240,000
2047	100	–	–	–	–	202,000	202,000
2099	100	–	–	–	–	182,700	182,700
2047	100	–	1,300,000	–	–	–	1,300,000
2047	100	–	588,800	–	–	–	588,800
2047	100	–	583,000	–	–	–	583,000
2047	100	–	415,000	–	–	–	415,000
2047	100	–	350,000	–	–	–	350,000
2047	87.5	–	245,000	–	–	–	245,000
2047	100	–	145,000	–	–	–	145,000
2047	100	–	120,000	–	–	–	120,000
2047	100	–	600,000	569,000	–	–	1,169,000
2047	100	–	236,000	505,000	–	–	741,000
2047	100	–	181,500	375,500	–	–	557,000
2047	100	–	35,100	137,200	–	–	172,300
2047	20	–	99,000	32,000	–	–	131,000
2047	100	–	–	–	258,000	–	258,000
2047	100	–	–	–	–	500,000	500,000
2047	100	–	–	–	–	142,000	142,000

Major Completed Investment Properties

■ Residential ■ Shopping Centre ■ Office ■ Industrial/Office ■ Hotel

		Residential	Shopping Centre	Office	Industrial/Office	Hotel
1	Dynasty Court	■				
2	Hillsborough Court	■				
3	63 Deep Water Bay Road	■				
4	51 & 55 Deep Water Bay Road	■				
5	Pacific View	■				
6	New Town Plaza / New Town Tower		■	■		
7	Grand Central Plaza		■	■		
8	Uptown Plaza		■			
9	Tai Po Mega Mall		■			
10	Landmark North		■	■		
11	Sun Yuen Long Centre		■			
12	Yuen Long Plaza		■			
13	Chelsea Heights		■			
14	Tsuen Wan Plaza		■			
15	Grand City Plaza		■	■		
16	Metroplaza		■	■		
17	New Kowloon Plaza		■			
18	Grand Century Place		■	■		
19	Hollywood Plaza		■	■		
20	The Sun Arcade		■			
21	East Point City		■			
22	World Trade Centre		■	■		
23	Sun Hung Kai Centre		■	■		
24	Harbour Centre		■	■		
25	One International Finance Centre		■	■		
26	Chi Fu Landmark		■			
27	New Jade Shopping Arcade		■			
28	Citygate		■	■		
29	Central Plaza			■		
30	Millennium City Phases 1 & 2		■	■		
31	APEC Plaza				■	
32	Infotech Centre				■	
33	Hing Wah Centre				■	
34	New Tech Plaza				■	
35	Advanced Technology Centre				■	
36	Peninsula Tower				■	
37	Kerry Hung Kai Godown				■	
38	Sunhing Hungkai Godown				■	
39	Royal Garden Hotel					■
40	Royal Plaza Hotel					■
41	Royal Park Hotel					■



Existing
Railways
Major Highways
Railway Interchange
Cross Harbour Tunnel

Under Construction
Railways

Planned (completion by 2008)
Railways
Major Highways


SHENZHEN
NEW TERRITORIES
KOWLOON
HONG KONG ISLAND
West Rail (completion in 2003)
Ma On Shan Rail (completion in 2004)
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REVIEW OF OPERATIONS – PROPERTY RELATED BUSINESSES

The Group's three hotels maintained high occupancy levels during the year.

HOTELS

The Group's three hotels recorded satisfactory results during the year. Although business in late 2001 suffered in the wake of the September 11th attacks in the US, a recovery in tourist arrivals since early 2002 has helped to maintain average occupancy at high levels.

The **Royal Garden** in Tsim Sha Tsui finished the year ending 30th June 2002 with an average occupancy of 86 per cent, similar to last year. Performance for the year was no doubt bolstered by the hotel's renovation programme, which finished at the end of December 2001. The renovations allowed the hotel to compete with the best possible image, in a market that called for flexibility and resourcefulness. One of the highlights of the year was the opening of the new Inagiku Japanese restaurant in April 2002. The initial response has been most positive and business levels are encouraging. Looking ahead, creativity and adaptability will be the keys to the Royal Garden's ongoing success in what will probably continue to be an extremely challenging market.

In spite of the economic difficulties last year, the **Royal Park** in Shatin achieved an average occupancy rate of 87 per cent. Its advantageous location and flexible marketing strategy helped attract various international conferences and events. To meet the increasing need for serviced apartments in the area, some of the rooms have been refurbished with the installation of kitchenettes. The hotel will continue to explore other opportunities to provide more comprehensive service and enhance its competitive edge.

The **Royal Plaza** in Mongkok maintained an average occupancy rate of 85 per cent during the year under review. The performance of its banquet division was most outstanding, showing a 13.5 per cent growth in revenue. To increase competitiveness and enhance service for guests, the hotel introduced a new Beauty and Body Care service in its health club. The anticipated completion of a covered walkway to the Mongkok MTR station will make the hotel more accessible, and this convenience should make it more attractive to business travellers. For the year ahead, Royal Plaza will continue to follow an aggressive yet flexible strategy, which will enable it to respond swiftly to market demand.

Given continued economic growth on the Mainland and the government's initiatives to promote Hong Kong as a regional tourism hub, demand from both tourists and business travellers is anticipated to rise. The Group is confident about the long-term prospects for the hotel sector and plans to build six-star hotels above the Hong Kong and Kowloon stations on the Airport Railway.

The Group's International Finance Centre on the central waterfront of Hong Kong Island will include the Four Seasons Hotel Hong Kong, comprising one six-star hotel tower and a serviced suites hotel. Together, the two towers will offer almost 1,000 first-class guest rooms in what will be the first Four Seasons hotel in Hong Kong. Completion is scheduled for late 2004.

The Group is also building another six-star hotel facility with over one million square feet of hotel and serviced suite accommodation, as part of the Airport Railway Kowloon Station Development.

CONSTRUCTION

The construction division completed 6.4 million square feet of properties during the year, including 178,000 square feet by joint-venture companies. Projects completed during the year include The Leighton Hill, The Belcher's Phase 2, Oscar by the Sea Phase 2, Prima Villa, The Parcville, 1 Lion Rock Road, 7 Minden Avenue and Millennium Trade Centre. The division's subsidiaries recorded a turnover of HK$6,300 million (on a progressive completion basis) for the year, with an additional HK$4,600 million recorded by its joint-venture companies.

Major projects under construction include Two International Finance Centre, Kowloon Station Development Package 3, Ocean Shores Phase 3, Park Island, Park Central, Liberté, Villa by the Park and Millennium City Phase 3.

The division's restructuring a year ago is now paying off, with more focus on quality, speed and cost controls, as well as safety. Improvements have been made at all levels, and new construction standards are in place. The division also gives its full support during the handover of new properties, to ensure a high level of customer satisfaction.

The construction division provides full support for new property handovers.

The following wholly-owned subsidiaries and associate provide construction-related services complementing the division's activities:

Everlight Engineering Company Limited, Everfield Engineering Company Limited and **Eversun Engineering Company Limited** provide and install electrical and fire prevention systems, including recurring system maintenance, for in-house and external projects. Total turnover for these subsidiaries over the year under review was HK$428 million.

Aegis Engineering Company Limited hires out plant and machinery, motor vehicles and containers for in-house and external projects. Turnover for the year under review amounted to HK$74 million.

Glorious Concrete (HK) Limited is an associate of the division that supplies ready-mixed concrete to the Group and external contractors. Its results for the year were good.

Hong Yip Director and General Manager Alkin Kwong (right) receives a Quality Award – Certificate of Excellence from David Li, Chairman of the Hong Kong Management Association.

PROPERTY MANAGEMENT

As part of its commitment to offering residents the finest living environments, the Group strives to offer ever-higher standards of service through its two property management subsidiaries, Hong Yip Service Company Limited and Kai Shing Management Services Limited. They are highly regarded in the industry and together manage over 177 million square feet of residential and commercial property.

Hong Yip manages more than 110,000 residential and commercial units, totalling about 92 million square feet of floor area. In addition to properties developed by the Group, Hong Yip's management portfolio includes other private housing estates and government buildings.

In order to raise the level of technology in property management, Hong Yip acquired Hallsmart Limited this year and is actively promoting the use of smart cards in the estates it manages to improve efficiency. The company also established Hongplus Professional Consultants to offer consulting on maintenance and renovations, so that owners can keep their buildings in the best condition to preserve property values.

As part of its drive for service excellence, Hong Yip initiated the Assurance Buildings programme, which includes a whole range of value-added services to achieve a high standard of management and offer the best value for money. This continuous stream of innovative ideas and proactive effort has earned Hong Yip an enviable reputation.

Kai Shing now manages 69 million square feet of residential premises, 14 million square feet of commercial space and two million square feet of industrial properties. Its core businesses are property management, sales and leasing agency, security and technical services and club management.

Despite the economic downturn, Kai Shing has expanded the scope of its business to include facility management for the government and other institutions. As an industry leader in the use of information technology in property management, the company continues to upgrade its exclusive Super e-Management and Mobile Building Management systems to improve operational efficiency further.

Kai Shing's professionalism in property management is reflected in its ISO 9001 certification. Building on its reputation, the company has established a presence on the Mainland, particularly in Shanghai, where it manages the Group's Shanghai Central Plaza and Arcadia Shanghai.

The Group places high emphasis on training its front-line property management staff. Both Kai Shing and Hong Yip organize comprehensive training and development courses to ensure that customers receive the best possible level of service, and their high-calibre teams of property management specialists are praised highly by residents.

The Group's property management companies are also forerunners in the field of environmental protection. Both companies have ISO 14001 certification and participate in the SHKP Environmentally Friendly Joint Action campaign, helping to promote conservation and recycling in the estates they manage. Dedicated to offering customers the finest service and providing residents with an ideal living environment, these two companies have won numerous awards in recognition of their quality, customer service and environmentally-friendly practices.

Patrick Lam (right), Director of Kai Shing, receives a 2002 Hong Kong Eco-Business Award from Financial Secretary Antony Leung.

FINANCIAL SERVICES

The financial services division is made up of **Hung Kai Finance Company Limited, Honour Securities Company Limited, Honour Futures Limited** and **Honour Finance Company Limited**. Principal services include home mortgages, share margin financing, stock and futures broking, consumer loans and deposit taking.

The division remained profitable despite the continued downturn in the financial markets and an increasingly competitive mortgage business.

INSURANCE

Sun Hung Kai Properties Insurance Limited recorded HK$336 million in turnover during the year under review. Despite a generally negative investment climate, the company and its subsidiaries recorded pre-tax profit this year of HK$46 million, compared to HK$45 million last year, primarily because diminished investment returns were offset by better underwriting results.

Since its establishment in 1979, the company has been offering its clients a full range of insurance coverage, and it also now deals in insurance products over the Internet via 'www.shkpinsurance.com.hk'. Sun Hung Kai Properties Insurance has always taken a prudent approach to underwriting, aiming at a focused market segment. The company has a credit rating of 'A-' from both Standard & Poor's and A. M. Best, reflecting its sound financial performance and management systems.

INFORMATION TECHNOLOGY

SUNeVision Holdings Limited saw the timely completion of a major restructuring programme during the year under review, which realigned business units, streamlined operations, increased productivity and sharpened the focus of all employees.

Operating expenses fell in each of the last eight quarters. The company is now firmly back to basics and well on track for a complete turnaround. Already, year-on-year figures hold out considerable promise for the future; turnover increased by HK$43 million, gross margin improved from negative eight per cent to positive 19 per cent and losses before one-off costs shrank to HK$5 million from HK$141 million last year. The company is confident that the level of operating profit first achieved in the third quarter of the fiscal year can be maintained.

SUNeVision has recorded operating profits before one-off costs since the third quarter of financial year 2001/02. Sheridan Yen, SUNeVision Managing Director, at the 2001/02 results announcement.

The closure of unprofitable business units and prudent provisions with respect to SUNeVision's investment portfolio have allowed the company to focus on providing high-quality solutions in data infrastructure and enabling services and maximizing value from a solid customer base in each of its business units.

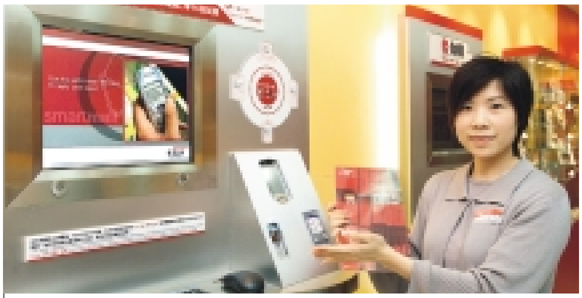
Despite difficult market conditions, iAdvantage achieved high customer retention in both data centre occupancy and value-added services. MEGA-iAdvantage in Chaiwan continued to build on its position as the leading carrier-neutral interconnection hub in Asia. In March 2002, iAdvantage was awarded ISO 9001:2000 certification in recognition of its world-class facility infrastructure design and construction.

iAdvantage offers world-class facilities and value-added service to its customers.

SUNeVision's recovered fundamentals and financial strength position it well for growth. The restructuring and reorganization work is largely complete, and the company does not anticipate the need for additional restructuring and provisions. The company will begin its next financial year with a balanced and scaleable portfolio of bottom-line profitable or EBITDA-positive businesses, comprising data infrastructure and service provision, enabling services and venture capital investments. In addition to organic growth, SUNeVision is exploring opportunities to add new technology-related businesses to complement its current core operations. The Group owned 84.8 per cent of SUNeVision as at 30th June 2002.

TELECOMMUNICATIONS

SmarTone Telecommunications Holdings Limited recorded significantly improved results after refocusing on its core mobile business and reorganizing its activities behind three key business principles: customer orientation, effectiveness and efficiency. Profit attributable to shareholders for the year amounted to HK$115 million, recovering from a loss of HK$284 million for the previous year. As at 30th June 2002, the total number of customers stood at 984,000.



SmarTone's 'email on the go' enables customers to access e-mail from mobile phones or PDAs anytime, anywhere.

With a renewed emphasis on customer orientation, SmarTone has delivered a wide range of programmes to enhance service and customer satisfaction further.

The company has been improving its radio network to enhance in-building coverage, increase capacity and improve the delivery of both voice and non-voice services. Significant enhancements to voice services have also been made to create more value for customers.

The company is paving the way to capture the market opportunities created by data-centric services. A number of services encouraging customers to use their mobile phones for non-voice communication were introduced during the year. These include: 'email on the go,' which enables customers to access their business and personal e-mail, calendar and contacts list from their mobile phones or PDAs anytime, anywhere; 'picturemail' which allows the creation of multimedia messages combining voice, text and photos taken with an MMS CameraPhone, and share them instantly with friends; and 'SMS via email' which enables the transmission of SMS from PCs to any GSM phone.

SmarTone's commitment to quality service is well recognized in the industry. During the year, the company won the most major service awards of any mobile operator in Hong Kong. These include two of the four annual service and courtesy awards presented by the Hong Kong Retail Management Association (HKRMA). SmarTone was also named Services Category Leader in the Electronic and Electrical Appliances/ Telecommunications industry under the HKRMA's Mystery Shoppers Programme.

SmarTone will continue to make significant investments in upgrading all areas of its core mobile business. Data-centric services are the key drivers of the company's future growth. SmarTone was awarded a 3G licence in October 2001. 3G will become critical when capacity demand from wide take-up of data-centric services appears. The company is ready for 3G and has already completed the first phase of its pilot 3G network, which will eventually become part of a commercially-operational system.

SmarTone is well positioned to surmount the challenges ahead and exploit emerging market opportunities. The Group remains confident in the long-term prospects for SmarTone and is fully supportive of its vision. The Group had a 29.6 per cent interest in SmarTone as at 30th June 2002, and it will continue to hold the stake as a long-term strategic investment.

REVIEW OF OPERATIONS – TRANSPORTATION, INFRASTRUCTURE AND LOGISTICS

KMB recorded strong earnings growth in 2001.

Route 3 (CPS) saw steady traffic volume during the year.

FRANCHISED BUS OPERATION

The Kowloon Motor Bus Holdings Limited (KMB), in which the Group has a 33.3 per cent interest, is publicly listed in Hong Kong. Its main business is the provision of franchised bus services covering Kowloon and the New Territories, and the company has diversified into non-franchised buses and media sales in recent years. It recorded an 86.7 per cent increase in net profit to HK$1,595.5 million for the year ended 31st December 2001, mainly because of a deemed profit of HK$349.6 million arising from the spin-off of RoadShow Holdings Limited. For the six months ended 30th June 2002, the company reported a net profit of HK$572.1 million. The company is dedicated to achieving total customer satisfaction. During the year, it introduced more bus-to-bus interchange packages and the first green bus equipped with a Euro III engine, and announced plans to air-condition bus waiting areas. The efficiency and reliability of its bus services will be enhanced further with the recent opening of a new, purpose-built bus depot on the West Kowloon reclamation, which provides better support for the KMB fleet.

RoadShow Holdings Limited, a 73 per cent owned subsidiary of KMB, was listed on The Hong Kong Stock Exchange in June 2001. It is a leading out-of-home media sales company that primarily markets advertising aimed at transit vehicle passengers, through its proprietary multi-media on-board system. The company reported a net profit of HK$175.1 million for the financial year ended 31st December 2001. The Group had an effective interest of 25.6 per cent in the company as at 30th June 2002.

TOLL ROAD

The Group has a 50 per cent interest in the **Route 3 (Country Park Section) Company Limited**. Under a 30-year build-operate-transfer agreement with the government reached in 1995, the company constructed and now manages the strategic north-south road link between Yuen Long and Ting Kau. The dual three-lane highway consists of the 3.8 kilometre Tai Lam Tunnel and 6.3 kilometre Tsing Long Highway.

Route 3 (CPS) has been open since May 1998, providing a direct link from the Lok Ma Chau crossing and northwest New Territories to Tsuen Wan, the container ports in Kwai Chung and Hong Kong's international airport. This has helped to alleviate traffic congestion on Tuen Mun Road and the Tolo Highway. Traffic volume remained stable during the year.

TRANSPORT INFRASTRUCTURE MANAGEMENT

The Wilson Group is a wholly-owned subsidiary of the Group that oversees parking, tunnel, bridge, tollway and other transport-related management businesses through its own network of wholly or partially-owned subsidiaries. It was established in July 1998 following Wilson Parking's diversification into these business areas. The Wilson Group employs around 4,000 people.

Under the Wilson Group umbrella, Wilson Parking and Mack & Co. Carpark Management manage more than 250 car parks with over 76,000 parking bays. As the largest parking operator in Hong Kong, ISO 9002-certified Wilson Parking is re-equipping its access control systems to link car parks to an operations support centre in order to go cashierless in 18 months. The Wilson Group also operates car beautification centres in car parks.

The Wilson Group expanded from car park operations into a wide range of transport-related businesses.

Wilson Group subsidiaries manage and maintain the Shing Mun and Tseung Kwan O tunnels, the Tsing Ma Control Area and Route 3 (CPS). The Wilson Group has also expanded its management of public transport interchanges during the year. Electronic Toll Systems is another part of the Wilson Group that has a 50 per cent stake in Hong Kong's only electronic toll collector, Autotoll Limited. Over 190,000 vehicles were equipped with an electronic toll collection system transponder at the end of June 2002.

Wilson Facilities Management secured its first contract from the Airport Authority to operate and maintain all baggage trolley facilities at Hong Kong International Airport from July 2002. In March 2002, Wilson's Hong Kong Parking secured a government contract to supply all the smart cards for on-street parking.

Hong Kong School of Motoring, 30 per cent owned by the Wilson Group, has been operating successfully for the past 19 years. As the major provider of off-street driver training facilities in Hong Kong, it currently operates centres in Shatin, Wong Chuk Hang and Yuen Long.

PORT BUSINESS

The Group owns 28.5 per cent of **Asia Container Terminals Limited**, which is developing two berths at Container Terminal 9 (CT9) on Tsing Yi Island. Construction began in mid-2000 and is progressing well in stages. Upon completion in mid-2004, Asia Container Terminals will exchange its two berths at CT9 for two existing berths at Container Terminal 8.

River Trade Terminal Company Limited is 33 per cent owned by the Group. This facility occupies a 65-hectare site in Tuen Mun with 3,000 metres of quayfront and 60 berths, providing a wide range of containerized and break-bulk cargo handling and storage services.

In addition, the Group holds 50 per cent interests in both **Hoi Kong Container Services Company Limited** and **Faith and Safe Transportation Company Limited**, two market leaders in the mid-stream industry in Hong Kong. Business has been operating smoothly.

AIR TRANSPORT & LOGISTICS BUSINESS

Airport Freight Forwarding Centre Company Limited (AFFC) is a wholly-owned subsidiary of the Group that operates the only premium freight forwarding and logistics centre at Hong Kong International Airport. Its strategic location and easy accessibility to the Pearl River Delta region have made it an important transport hub for out-bound air cargo from southern China.

AFFC's tenants include numerous leading freight forwarders and logistics companies. In operation since 1998, AFFC has 1.3 million square feet of cargo handling space and 175,000 square feet of premium-quality office space, offering flexible leasing terms and competitive rates for its airport location. AFFC's advanced facilities and supply-chain management capabilities enable tenants to better cope with the demands of global trade in the information age.

AFFC has a strategic location at Hong Kong International Airport.

Through wholly-owned **Sun Hung Kai Super Logistics Limited** and a 50 per cent interest in **Sun Logistics Company Limited**, the Group offers customers a full range of third-party logistics services, from warehouse management, regional and global distribution, to fulfilment and other value-added services. Sun Hung Kai Super Logistics also provides cargo handling at AFFC. Harnessing advanced information technology, it serves a wide range of customers from large international corporations to small and medium local businesses.

Seeking business opportunities on the Mainland, Sun Hung Kai Super Logistics is engaged in projects with joint-venture partners to build service networks in the major cities, starting with Beijing.

The Group's **Hong Kong Business Aviation Centre Limited** is a 15-year franchise at Hong Kong International Airport that serves all business aircraft flying in and out of Hong Kong. The facilities, located in the southwest corner of the Chek Lap Kok reclamation, include a dedicated apron for aircraft parking, an executive terminal and a 23,800 square-foot hangar, all built to the highest international standards.

Since it commenced business in 1998, there has been a steady growth in the number of aircraft movements. The franchise is now in its fourth year of operation and generating profit. The Group owns 35 per cent of the company.

WASTE MANAGEMENT

The Group is actively involved in environmental protection. Through 20 per cent ownership of **Green Valley Landfill Limited, South China Transfer Limited** and **Pearl Delta Limited**, the Group works actively for a cleaner, greener environment for Hong Kong.

The companies are engaged in various environmental protection and waste management projects. Green Valley built and operates a 100-hectare landfill site in Tseung Kwan O with the capacity to handle 43 million cubic metres of waste. South China Transfer built and operates the largest refuse transfer station in Hong Kong. Located on Stonecutters Island, the station can process 2,875 tons of waste a day. Pearl Delta has been collecting and managing waste at Hong Kong International Airport at Chek Lap Kok since it opened in July 1998.

OTHER INVESTMENT HOLDINGS

Travelex Hung Kai Airport Currency Exchange Limited (formerly Thomas Cook Hung Kai Airport Currency Exchange Limited) is a joint venture between the Group and Travelex, in which the Group holds a 25 per cent interest. As the sole money changer at Hong Kong International Airport, the company's major businesses are foreign exchange and the sale of various travel-related products. Revenue in the latter half of 2001 was affected by reduced travel since 11th September. The beginning of 2002 however, has seen a gradual return of passengers using the airport.

New-Alliance Asset Management (Asia) Limited is a 50/50 joint venture between the Group and Alliance Capital Management LP. Since its incorporation in 1997, the company has been engaged in investment management and unit trust and mutual fund distribution in Hong Kong, providing a broad range of services to publicly-listed companies, institutional clients and individuals. The distribution of unit trusts and mutual funds through major financial intermediaries met with heavy competition from numerous guaranteed products, and sales slowed somewhat compared with last year. Institutional sales have gained momentum however, as a result of securing an increased number of investment mandates from major names in the market.

USI Holdings Limited is a publicly-listed company in Hong Kong in which the Group has a 19 per cent interest. It has three major areas of business: apparel, property and communications. The company reported a net profit of HK$52 million in 2001, compared with a loss of HK$69 million in the previous year. The improvement was mainly due to a significant reduction in financing costs and gains from the divestment of the company's interests in two European investments. For the first six months of 2002, the company recorded a net profit of HK$8 million.

MAINLAND BUSINESS

Capitalizing on its strong brand name, property expertise and experience in developing landmark projects, the Group will seek new investment opportunities in major Mainland cities including Beijing, Shanghai, Guangzhou and Shenzhen.

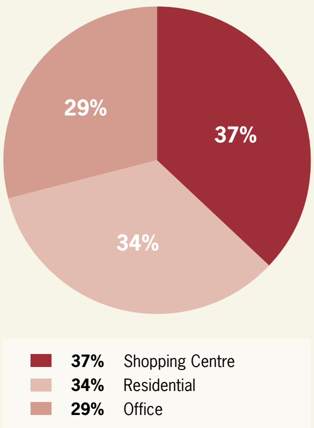
Sun Dong An Plaza, Beijing

REVIEW OF OPERATIONS – MAINLAND BUSINESS

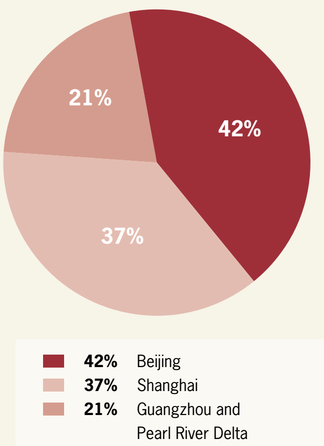
Composition of the Group's Mainland Land Bank

— 2.4 million square feet in attributable gross floor area

BY USAGE



BY LOCATION



The Mainland economy performed remarkably over the past year, continuing to show steady growth despite a global slowdown. Following China's official entry to the WTO last November, further opening up should provide ample investment opportunities. In light of this favourable environment, the Group will gradually expand its investments on the Mainland over time, with a focus on property. Capitalizing on its strong brand name, property expertise and experience in developing landmark projects, the Group will seek new opportunities in major cities including Beijing, Shanghai, Guangzhou (including the Pearl River Delta) and Shenzhen.

As at 30th June 2002, the Group held 1.8 million square feet of completed investment properties on the Mainland, consisting mainly of offices and shopping centres in prime locations. Another 0.6 million square feet of properties are being developed, principally residential projects. A breakdown of the Group's Mainland land bank, in attributable gross floor area, is as follows:

The Group's Mainland Land Bank

	Attributable Gross Floor Area (million square feet)			
	Residential	**Shopping Centre**	**Office**	**Total**
Properties under development				
Shanghai	0.1	–	–	0.1
Guangzhou and Pearl River Delta	0.4	–	0.1	0.5
Subtotal	**0.5**	**–**	**0.1**	**0.6**
Completed investment properties				
Beijing	–	0.8	0.2	1.0
Shanghai	0.3	0.1	0.4	0.8
Subtotal	**0.3**	**0.9**	**0.6**	**1.8**
Total	**0.8**	**0.9**	**0.7**	**2.4**

MAJOR MAINLAND PROJECTS

Beijing

Sun Dong An Plaza
138 Wangfujing Dajie (50% owned)

Sun Dong An Plaza is a recognized landmark in Beijing, made up of 1.3 million square feet of retail space and 430,000 square feet of office space. It is held under a 50-year lease that runs until 2043. With its prime location, leasing has been encouraging. The shopping centre, which was 98 per cent let during the year, attracts both local and foreign tenants that offer a wide variety of choices for shoppers. Occupancy of the office space remained satisfactory at 93 per cent.

Shanghai

Central Plaza
381 Huaihai Zhong Road (75% owned)

Central Plaza in Shanghai has become a focal point for the city since its completion in 1999. It consists of 455,000 square feet of offices and a 133,000 square-foot shopping centre. The property is held under a 50-year lease that runs to 2044. Overall occupancy was 94 per cent.

Arcadia Shanghai
88 Guang Yuan Xi Road, Xu Hui (66.5% owned)

The first phase of about 500,000 square feet of serviced apartments was completed in 1999. Virtually all units put up for sale in late 2001 were sold, and leasing of the remaining units has been satisfactory with 92 per cent occupancy. The second phase will consist of 129,000 square feet of premium-quality residential apartments. The development plans have been finalized and construction will begin in the fourth quarter of 2002. The property is held under a 70-year lease that expires in 2064.

Guangzhou and Pearl River Delta

The Woodland
Zhongshan 5 Road, Zhongshan (Joint venture)

The site is being developed into a large-scale residential estate in phases. It is planned as a low-rise development with a spacious environment surrounded by extensive landscaping. Construction of the first phase of the project, with 310 units and a gross floor area of about 400,000 square feet, began in June 2002.

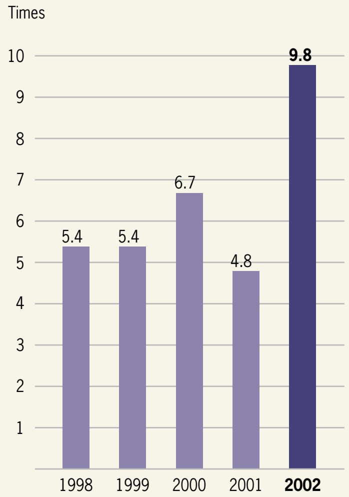
The Sun Dong An Plaza shopping centre is one of Beijing's busiest malls.

The second phase of Arcadia Shanghai will consist of 129,000 square feet of premium-quality residential apartments.

REVIEW OF OPERATIONS – CORPORATE FINANCE

Vice Chairman & Managing Director Raymond Kwok (middle), at a loan signing ceremony. The Group issued long-term notes to extend its debt maturity profile and diversify funding.

Interest Cover*



* *Profit from operations to net interest expenses before capitalization*

The Group adheres to conservative financial policies, with high liquidity and low gearing. Its solid financial position is evidenced by a strong net debt to shareholders' funds ratio of 15.6 per cent as at 30th June 2002 and interest cover of 9.8 times for the financial year 2001/02.

To capitalize on the current high liquidity in the market, the Group arranged two seven-year HK$7,500 million syndicated loan facilities at favourable terms to refinance its short-term debt. The Group also issued fixed-rate notes with maturities up to ten years under its Euro Medium Term Note programme, in order to extend its debt maturity profile and diversify funding sources. These proceeds, together with substantial undrawn banking facilities, serve as standby funds to meet the Group's future business requirements. All the Group's credit facilities are unsecured and a substantial majority are on a committed basis.

The Group's foreign exchange risk is negligible as virtually all of its borrowings are denominated in Hong Kong dollars. The Group is not exposed to any speculative positions and it has no off-balance-sheet or contingent liabilities, with the exception of borrowings by joint-venture companies.

The Group has consistently maintained high credit ratings, with an 'A3' foreign currency rating from Moody's and an 'A' from Standard & Poor's. These premier credit ratings reflect the Group's financial strength and healthy cash flow.

Credit Ratings

	Foreign Currency	Local Currency
Moody's	A3	A2
Standard & Poor's	A	A

REVIEW OF OPERATIONS – INVESTOR RELATIONS

The Group's web site www.shkp.com.hk is one of the important tools to enhance communications with the investment community.

Interactive communication with investors about corporate strategy and developments is a high priority for the Group, and it is committed to openness and transparency to the investment community. It disseminates relevant corporate information on a timely basis through various channels, and the Group's annual and interim reports contain extensive information about its business activities. It distributes regular press releases and publications such as the SHKP Quarterly, and all this information is also available on the Group's web site www.shkp.com.hk. The Group holds press conferences and analysts' meetings immediately after results are announced, with directors and senior management available to answer questions.

In addition to numerous meetings with securities analysts and investors, the Group also participated in a number of large-scale conferences and presentations, and it hosted non-deal overseas road shows during the year. These measures help investors to better understand the Group's business strategy and the local property market in general. Furthermore, the Group organized priority visits for analysts to various property projects, including previews of the Park Island show flats and a first-hand look at the quality and luxury of The Leighton Hill, just before it was handed over to owners.

The Group has consistently placed highly in Asiamoney magazine's Best Managed Company rankings over the years, and Euromoney named the Group Best Company in Hong Kong and Best Property Company in Asia in February 2002. The Group's web site has also been praised in independent surveys. The Group will continue to enrich and update the contents of its web site with the latest financial information and corporate developments, providing an efficient channel to reach the investment community.

CUSTOMER SERVICE

The Group believes two-way communication is the key to good customer service. Various new initiatives in property handovers and management have been put in place to achieve customer satisfaction.

REVIEW OF OPERATIONS – CUSTOMER SERVICE

The Group is dedicated to providing the finest customer service, following the principle that 'customers come first'. As well as offering high-quality, innovative services, it also encourages two-way communication by taking the initiative to listen to customers and find out what they need.

Property management subsidiaries within the Group are committed to delivering quality management service, frequently receiving commendation letters from residents. During the year, Hong Yip was the first local property manager to win a Certificate of Excellence in the Hong Kong Management Association's 2002 Quality Awards. It also won the 2001 Hong Kong Retail Management Association Customer Service Award.

For several years, the Group's special Handover Team has been responsible for performing quality checks on new flats, ensuring that owners move into top-quality units in each of the Group's projects. The Team began offering a one-stop service last year by sending well-trained staff members to help with each handover. This year, the Group premiered two services for new flat owners: Easy Maintenance and Online Maintenance Records. With Easy Maintenance, flat owners can purchase original construction materials from the property management company to use in renovations. The service saves flat owners from having to look for construction materials. The Group's Online Maintenance Records service allows flat owners to monitor the progress of repairs through superhome.net.

Vice Chairman & Managing Director Thomas Kwok (left) likes to engage in two-way communication with residents of the Group's developments.

The Group offers superb property management. Professionally-trained clubhouse staff tutor children's learning groups.

The Group's special Handover Team is responsible for performing quality checks on new flats, ensuring that owners move into top-quality units in each of the Group's projects.

The six-year-old SHKP Club now has a membership of 160,000. It keeps introducing new services for members such as the Show Flat Preview Loyalty Scheme and Member-Buyer Reward Programme. During the year under review, the popular Show Flat Preview Loyalty Scheme was made more attractive with better prizes, while the Member-Buyer Reward Programme offered a chance to join the internal sale of Park Central and additional benefits to members who bought units in Park Island and Aegean Coast.

The Citibank SHKP Club VISA Card offers more privileges. Cardholders enjoy special offers when spending in more than 2,000 shops and restaurants in eight of the Group's shopping centres. The co-brand card is now used in 13 of the Group's properties, a number which is expected to increase to 21 in the near future.

The SHKP Forum in the Group's web site is Hong Kong's only Internet forum operated by a property company. The Forum facilitates two-way communication between the Group and the public. On average, the Group receives about 1,000 e-mail messages a month, which are taken care of by a dedicated customer service team. The Group's web site was ranked the best corporate site by Asiamoney during the year, an endorsement of the Group's emphasis on two-way communication.

The SHKP Club keeps introducing new services for members such as the Show Flat Preview Loyalty Scheme and Member-Buyer Reward Programme.

The Group's corporate web site was ranked the best by a financial publication.

The Group's shopping mall management companies hold regular seminars for tenants, in order to maintain a high standard of service.

REVIEW OF OPERATIONS – ENVIRONMENTAL PROTECTION AND PROMOTION

The Group mobilizes support for environmental protection from different sectors of the community.

Kai Shing and Hong Yip practise environmental protection in property management. They were two of the key organizers for the SHKP Environmental Protection Fun Fun Day 2002.

The Group is devoted to working for a better environment. Protection of the environment is emphasized in various aspects of its operations, from project planning and construction to property management. It began the year-long Environmentally Friendly Joint Action campaign (Joint Action) during the year, mobilizing support from different sectors of the community in the hope of raising the standard of living for Hong Kong people.

Through the Group's member property management companies Hong Yip and Kai Shing, which together manage more than 200,000 households in 200 estates across Hong Kong, Joint Action puts words into action. The campaign aims to reduce waste by 10,000 tonnes and recycle 12,000 tonnes of material in 2002. To achieve these goals, a 1,000-strong team of Environment Protection Ambassadors was set up with participation from residents of estates developed by the Group. The Group also enlisted children in the drive for a cleaner Hong Kong, with about 200 youngsters volunteering for the year-long campaign.

Both Kai Shing and Hong Yip employ environmentally-friendly practices in property management, with extremely good support from residents. Kai Shing launched a Centralized Recycling and Management System in 80 estates and shopping malls. The system separates and recycles paper, plastic bottles and cans, handling over 5,500 tonnes of waste a year. The income generated from waste recycling will be used in furthering environmental protection.

The Group applies stringent environmental protection standards in planning its developments. For example, Park Island, the massive residential development by the Group in Ma Wan, retains its original green environment and is a model pollution-free community. The Group introduced a battery-powered shuttle bus, the Olymbus, for Park Island residents, helping to keep the air clean.

The Group's environmental protection efforts are highly commended. During the year, two estates managed by Kai Shing, Siu Lun Court in Tuen Mun and Tin Wah Estate in Tin Shui Wai, won Gold Awards in the private and public housing categories respectively in the 2001 Hong Kong Eco-Business Awards. Separately, a number of properties and estates managed by Hong Yip and Kai Shing won cleanliness awards.

REVIEW OF OPERATIONS – HUMAN RESOURCES AND TRAINING

The Service Excellence Programme has trained over 7,000 staff since 1999. More than 1,000 front-line staff attended seminars under the programme during the year.

Believing that people are its greatest assets, the Group organized more than 300 training courses during the year.

The Group has 18,000 employees (not including associated companies). It believes firmly in recruiting top-calibre staff and providing on-the-job training. During the year, the Group started a Management Trainee Programme for new university graduates. A number of the Group's business units also carried out a joint recruitment exercise to facilitate business development. In addition, more than 300 training courses were organized during the reporting period, with a combined attendance of more than 10,000.

The Management Trainee Programme recruits talented young graduates from leading universities and gives them the chance to meet with the Group's management during job briefings. Some recruits have already been allocated to different departments after passing a demanding screening process. In the 18-month programme, trainees not only learn theory, but also gain experience by working in different departments and taking part in various projects.

Group companies Hong Yip, Kai Shing, SmarTone and the Wilson Group staged a joint-recruitment exercise offering more than 700 jobs in customer service, security, car park management, car cleaning, telecom product marketing, technical work and cleaning. The two-day exercise drew 3,000 people.

The Service Excellence Programme that began in 1999 has so far trained more than 7,000 staff, and 1,000 front-line staff participated in seminars during the year. The more than 300 courses offered in the year covered a wide range of areas including management skills, business strategy, customer service, language and communications, business and technology, personal development and quality management. The Group also offered English-language training to staff, to support the government's drive to upgrade workplace English. Staff can also apply for sponsorship when they enrol in external job-related courses or degree programmes.

In September 2001, the Group started eLearning, a platform allowing staff to upgrade themselves online. eLearning provides information on over 20 subjects. In the year under review, the Group also provides about 60 recreational activities for its staff, including sports, hobbies and movie showings, with attendance reaching 9,000.

REVIEW OF OPERATIONS – THE GROUP AND THE COMMUNITY

Contributing to charity is part of the Group's culture.

The Group is active in community service, contributing to various charitable organizations and offering help to the needy. During the year under review, the Group donated a total of HK$68 million to charity.

The Group was the title sponsor of two activities in aid of the non-profit Suicide Prevention Services (SPS): the SPS Walkathon 2002 and SHKP Operation Sunshine. SHKP Operation Sunshine is a year-long programme to promote a positive attitude towards life among teenagers and encouraging them to tackle problems.

The Group's programme rewarding distinguished scholars at Tsinghua University in Beijing is in its sixth year. On the local education scene, the Group started the West New Territories Elite Students Programme several years ago, benefiting 12 primary and secondary schools in the area. It also continues to sponsor a number of MBA students at The Chinese University of Hong Kong, as part of its commitment to quality education.

The Group encourages its employees to participate in charity marathons organized by the Community Chest.

The Group has always been a staunch supporter of charity events, encouraging its employees to participate in charity marathons, fund raisers and the Dress Down Day organized by the Community Chest. As a result, the Group won the 2001/2002 Platinum Award in the Community Chest's Corporate and Employee Contribution Programme. Separately, the SHKP Fund for the Elderly, set up in 1995, has helped more than 10,000 needy seniors improve their living environment.

The Group participated in the rebuilding of primary schools in impoverished mountainous regions in China, and also donated computers to a number of schools in Hong Kong, offering students a chance to learn computer skills. The Group's support for charity and community organizations also takes the form of provision of space. It not only provides free space in shopping malls for fund-raising activities, it also continued to provide subsidized office space to Project ORBIS in Hong Kong and was again presented with the organization's Crystal Award this year.

Apart from charitable causes, the Group is also active in the community, for example sponsoring Shatin's festival of light this year.

Vice Chairman & Managing Director Thomas Kwok (left) receives a souvenir from a representative from one of the elderly groups helped by the Group.

The Group sponsors a number of MBA students at the Chinese University of Hong Kong. Vice Chairman & Managing Director Raymond Kwok (seated, second from left) and Executive Director Michael Wong (seated, first right) with the students.

The Group has been sponsoring distinguished scholars at Tsinghua University in Beijing for six years.