



SUN HUNG KAI PROPERTIES LIMITED



ANNUAL REPORT 2001/02



家 is the Chinese character for home. For the past 30 years, Sun Hung Kai Properties has been building 'Homes with Heart' for hundreds of thousands of Hong Kong people.

Cover Photos:

- 1 The Leighton Hill, Happy Valley
- 2 Park Island, Ma Wan

- 3 Yuen Long Town Lot 503
- 4 Two International Finance Centre, Central

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HONG KONG IS OUR HOME



In July this year, the Group celebrated its 30th anniversary. Since its establishment, the Group has grown and prospered, despite ups and downs in the economic climate along the way, and it has maintained its faith in the territory's future throughout.

Over the years, the Group's investment focus has always been on Hong Kong. Its experience has shown that adversity can be overcome with determination and conviction, and the Group has followed this belief, helping to build the remarkable place that Hong Kong is today.

Looking to the future, the Group will use its strengths — a powerful brand name, highly capable management and dedicated team of staff — to maintain its position in today's highly-competitive market, tackling the challenges ahead with confidence.



Chairman & Chief Executive Walter Kwok (middle), and Vice Chairmen & Managing Directors Thomas Kwok (right) and Raymond Kwok (left) have great confidence in the future of Hong Kong. In the background is a bust of Group founder Kwok Tak Seng.

THE SHKP CHRONOLOGY – 30 YEARS AT A GLANCE

- | | |
|------|--|
| 1972 | <ul style="list-style-type: none"> Incorporated on 14th July, Sun Hung Kai Properties Ltd. goes public on 23rd August, with market capitalization of HK\$400 million. Head office set up in the Hong Kong Chinese Building with about 30 employees. |
| 1973 | <ul style="list-style-type: none"> Profits reach HK\$51.4 million in the first year. Acquisition of the Hong Yip Service Co. Ltd. |
| 1974 | <ul style="list-style-type: none"> Construction of the multi-tower residential Tsuen Wan Centre paves the way for subsequent large-scale estates. |
| 1975 | <ul style="list-style-type: none"> Participates in the development of City One Shatin, Pokfulam Gardens and Elizabeth House in Wanchai. |
| 1976 | <ul style="list-style-type: none"> Professional consultants review the company's administrative structure to streamline management. |
| 1977 | <ul style="list-style-type: none"> Relocation of head office to Connaught Centre (now Jardine House) in Central. Number of employees reaches 600 and computerization of operations begins. Champion Building in Kowloon handed over. |
| 1978 | <ul style="list-style-type: none"> Formation of Kai Shing Management Services Ltd. |
| 1979 | <ul style="list-style-type: none"> Establishment of Sun Hung Kai Properties Insurance Ltd. and Glorious Concrete (HK) Ltd. |
| 1981 | <ul style="list-style-type: none"> The Royal Garden opens. Acquisition of interest in Kowloon Motor Bus (1933) Ltd. Completion of Victoria Centre in Causeway Bay. |
| 1982 | <ul style="list-style-type: none"> Head office moves to Sun Hung Kai Centre in Wanchai. |
| 1983 | <ul style="list-style-type: none"> Handover of large-scale residential developments Sun Kwai Fong Gardens and Sun Kwai Hing Gardens in Kwai Chung. |



1984

- Shatin's New Town Plaza opens. Despite uncertainty over Hong Kong's reunification with China, SHKP is the first developer to make substantial investments in developing the New Territories.

1985

- Handover of residential/commercial Tai Po Centre in phases.
- Tsuen Kam Centre in Tsuen Wan goes on sale.

1986

- First developer to include air conditioners with sale of Tsuen Wan's Tsuen King Gardens.
- Establishment of Honour Securities Co. Ltd.
- Takes interest in China Hotel in Guangzhou.

1989

- Opening of Royal Park Hotel in Shatin.

1990

- Work starts on Wanchai's Central Plaza, then the tallest building in Asia.
- Founder Kwok Tak Seng passes away in October; the next generation of Kwoks take over the business.

1991

- Handover of Dynasty Court in Mid-Levels sets new benchmark for luxury apartments.
- Opening of Tsuen Wan Plaza, Uptown Plaza Shopping Arcade in Tai Po and Metropolis Plaza in Sheung Shui.
- Acquisition of Wilson Parking (Hong Kong) Ltd.

1992

- Completion of Wanchai's Central Plaza and Kwai Fong's Metroplaza in phases. The latter is the first grade-A office tower in the area.

1993

- Completion of Hillsborough Court in Mid-Levels and Sun Yuen Long Centre; handover of Yuen Long's Palm Springs begins in phases.
- Inception of SmarTone, the first GSM mobile operator in Hong Kong.

1994

- Profits reach HK\$10.3 billion; staff 10,000.



30 YEARS AT A GLANCE

1995

- World Trade Centre shopping mall reopens in Causeway Bay after renovations.
- Handover of Shatin's Royal Ascot in phases.
- Establishment of SHKP Fund for the Elderly to help needy seniors.

1996

- SmarTone listed in Hong Kong.
- Completion of King's Park Villa luxury apartments in Kowloon.
- Launch of SHKP web site. SHKP Club established to promote two-way communication with customers.
- Property Liaison Team set up to check units before handover; becomes first developer to provide one-year guarantee on new properties.
- SHKP pioneers use of smart card systems in Woodland Crest in Sheung Shui.

1997

- Profits reach record high of HK\$14.1 billion.
- Handover of 3 Repulse Bay Road in Island South and East Point City in Tseung Kwan O. East Point City shopping centre, Mongkok's Grand Century Place and Royal Plaza Hotel open.
- Handover of Glorious City Garden, upscale residential property in Guangzhou.
- Residents of East Point City in Tseung Kwan O are first to have online booking of clubhouse facilities.
- Kai Shing and Hong Yip win Hong Kong Housing Authority Best Managed Property Awards and all four Best Managed Home Ownership Scheme Estate Awards.

1998

- Acquisition of sites for The Leighton Hill in Happy Valley and Les Saisons in Shauekiwan during financial turmoil demonstrates SHKP's confidence in Hong Kong.
- Completion of Airport Railway Hong Kong Station Development – One International Finance Centre. Construction of Two International Finance Centre begins.
- Completion of Phase 1 of Millennium City in Kowloon East.
- Route 3 (Country Park Section) and Airport Freight Forwarding Centre begin operations.
- Opening of Beijing's Sun Dong An Plaza, first completed redevelopment in Wangfujing.
- SHKP Club and Citibank introduce multifunction VISA card.
- SHKP begins annual donation of HK\$1 million for academic excellence at Beijing's Tsinghua University.



1999

- Completion of residential development Arcadia Shanghai and commercial building Central Plaza in Shanghai.
- Named Hong Kong's Best Managed Company of the Decade by Asiamoney and No. 1 Real Estate Developer for Quality of Service by World Architecture magazine.
- Kai Shing wins 1999 Hong Kong Eco-Business Gold Award (Green Office), and becomes first property management company in Hong Kong to receive ISO 9002 and ISO 14001 certification.

2000

- SHKP wins tender for Kowloon Station Development Packages 5, 6 & 7. Office tower of over 100 storeys scheduled for completion by 2007, forming Harbour Gateway with Two International Finance Centre above Hong Kong Station.
- Premium luxury apartments The Leighton Hill go on sale to high market acclaim.
- SUNeVision Holdings Limited, SHKP's technology flagship, listed on GEM.

2001

- Four Seasons Hotels and Resorts chosen to manage hotel in Two International Finance Centre.
- Ranked No. 1 among Hong Kong's best corporate web sites by Asiamoney.
- Both Yuen Long's The Parcville and Villa by the Park receive Excellent ratings from the Business Environment Council, under its Hong Kong Building Environmental Assessment Method. The Parcville is the first private residential estate in Hong Kong to receive this honour.
- Hong Yip wins Hong Kong Housing Authority Best Property Management Agent Award for the eighth consecutive year. Kai Shing receives ISO 19001 (2000) quality certification for properties under management.

2002

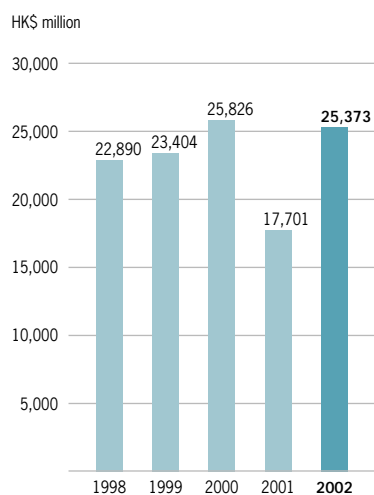
- Phase 1 of Park Island, large-scale residential project on Ma Wan, draws strong market interest and virtually all units sold out in about two weeks.
- The Leighton Hill in Happy Valley handed over; luxury apartments at 1 Po Shan Road in Mid-Levels to go on sale in second half.
- Named No.1 among Best Companies in Hong Kong and Best Property Companies in Asia by Euromoney.
- Hong Yip wins Certificate of Excellence in Hong Kong Management Association's 2002 Quality Awards, the first local property manager to win this distinction.
- Handover of Phase 2 of Oscar by the Sea in Tseung Kwan O. Latest infrared technology used to check external walls.
- Now 18,000 employees. Market capitalization of HK\$110 billion at end of September.



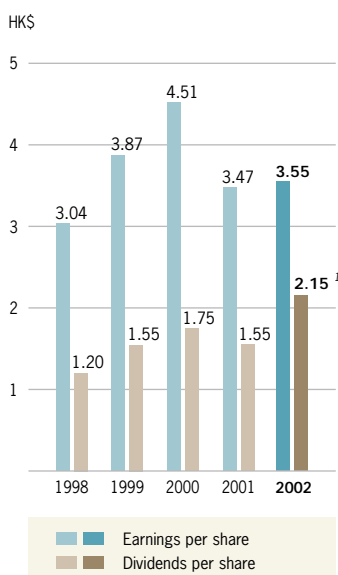
FINANCIAL HIGHLIGHTS

For the year ended 30th June	2002	2001	Change (%)
Turnover (HK\$ million)	25,373	17,701	+43.3
Profit attributable to shareholders (HK\$ million)	8,519	8,330	+2.3
Earnings per share (HK\$)	3.55	3.47	+2.3
Total dividends per share (HK\$)	2.15 ¹	1.55	+38.7
Shareholders' funds per share (HK\$)	53.56	53.48	+0.1
Gross rental income ² (HK\$ million)	5,844	5,877	-0.6
Net rental income ² (HK\$ million)	4,432	4,401	+0.7
Net debt to shareholders' funds ratio (%)	15.6	15.5	+0.1 ³
Land bank (million square feet)	50.4	54.1	-6.8

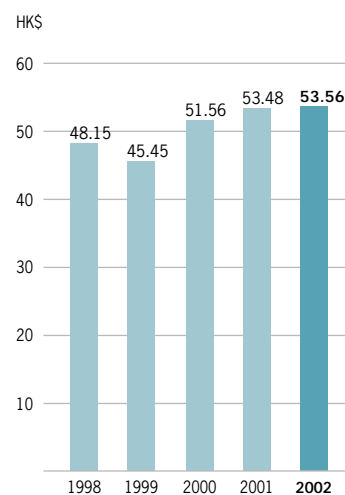
Turnover



Earnings and Dividends per Share



Net Asset Value per Share*



* Except for completed investment properties, hotels and marketable securities, which are stated at market value, all assets are at historical cost

¹ Including special cash dividend of HK\$0.60 per share for the Group's 30th anniversary

² Including contributions from jointly-controlled entities and associates

³ Change in percentage points

CORPORATE AND SHAREHOLDERS' INFORMATION

CORPORATE INFORMATION

Directors

- Kwok Ping-sheung, Walter
Chairman & Chief Executive
- # Lee Shau-kee
Vice Chairman
- Kwok Ping-kwong, Thomas
Vice Chairman & Managing Director
- Kwok Ping-luen, Raymond
Vice Chairman & Managing Director
- * Chung Sze-yuen
- * Woo Po-shing
- * Fung Kwok-king, Victor
- * Kwan Cheuk-yin, William
- # Lo Chiu-chun, Clement
- # Law King-wan
Chan Kai-ming
Chan Kui-yuen, Thomas
Kwong Chun
Wong Yick-kam, Michael
Wong Chik-wing, Mike
So Hing-woh, Victor
- * Woo Ka-biu, Jackson (Alternate Director
to Woo Po-shing)
- # *Non-Executive Director*
- * *Independent Non-Executive Director*

Company Secretary

Lai Ho-kai, Ernest

Registered Office

45th Floor, Sun Hung Kai Centre
30 Harbour Road, Wanchai
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Facsimile: (852) 2827 2862
Web site: www.shkp.com.hk
E-mail: shkp@shkp.com.hk

Auditors

Deloitte Touche Tohmatsu

Registrars

Computershare Hong Kong Investor
Services Limited
Rooms 1712-6, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers

Bank of China (Hong Kong) Limited
The Hongkong & Shanghai Banking
Corporation Limited
Hang Seng Bank Limited
Sumitomo Mitsui Banking Corporation
Mizuho Corporate Bank, Ltd.
Industrial and Commercial Bank of China
The Bank of Tokyo-Mitsubishi, Ltd
Standard Chartered Bank
UFJ Bank Limited
The Bank of East Asia, Limited

Solicitors

Woo, Kwan, Lee & Lo
Johnson, Stokes & Master
Winston Chu & Company

SHAREHOLDERS' CALENDAR

Register of Shareholders

Close of Register (both days inclusive)
28th November 2002 – 5th December 2002

Annual General Meeting

5th December 2002

Dividends (per share)

Interim Dividend	HK\$0.55
Paid on	8th April 2002
Final Dividend	HK\$1.00
Special Cash Dividend	HK\$0.60
Payable on	6th December 2002

LISTING INFORMATION

Share Listing

The Company's shares are listed on The Stock Exchange of Hong Kong and are traded over the counter in the United States in the form of American Depositary Receipts.

Stock Code

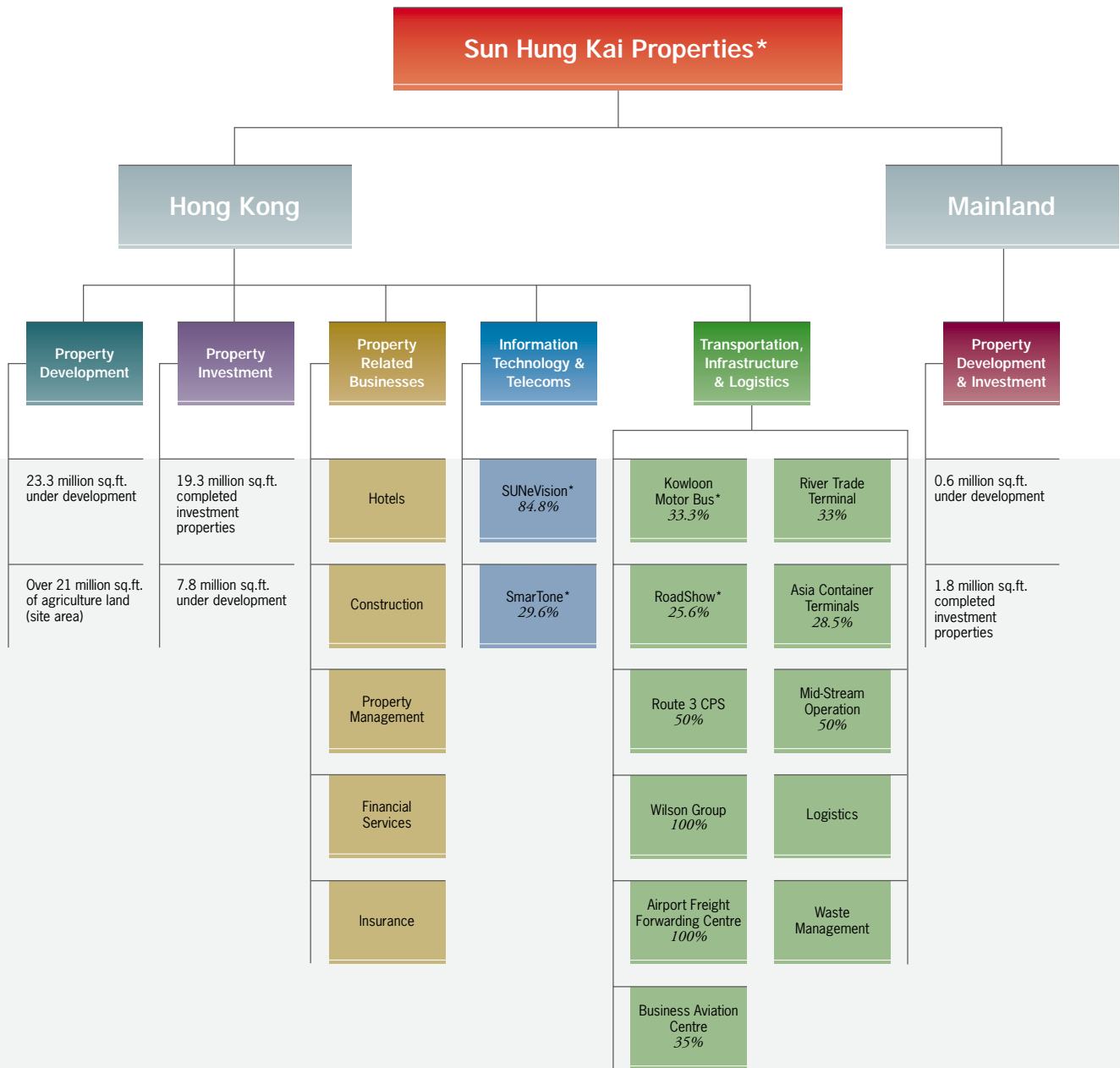
The Stock Exchange of Hong Kong: 16
Bloomberg: 16 HK Equity
Reuters: 0016.HK
Trading Symbol for ADR: SUHJY
CUSIP Number: 86676H302

INVESTOR RELATIONS CONTACT

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CORPORATE STRUCTURE

As at 30th June 2002



* Listed in Hong Kong

CHAIRMAN'S STATEMENT

I am pleased to present my report to the shareholders.

RESULTS

The Group's profit after taxation and minority interests for the year ended 30th June 2002 was HK\$8,519 million, an increase of two per cent compared with last year's profit of HK\$8,330 million. Earnings per share for the year were HK\$3.55, representing a two per cent increase compared with HK\$3.47 for the previous year.

DIVIDENDS

The Directors have recommended the payment of a final dividend of HK\$1.00 per share for the year ended 30th June 2002. Together with the interim dividend of HK\$0.55 per share, the dividend for the year will be HK\$1.55 per share, the same as in the previous year. To celebrate the Group's 30th anniversary, the Directors have also recommended the payment of a special cash dividend of HK\$0.60 per share, making the total dividend for the year HK\$2.15 per share.

REVIEW

Sales

During the year ended 30th June 2002, the Group sold and pre-sold properties amounting to HK\$15,151 million in attributable terms. The corresponding figure for the previous 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 include Villa by the Park in Yuen Long, Park Central in Tseung Kwan O and Liberté in Cheung Sha Wan. Property sales since July this year have exceeded HK\$6,300 million. This encouraging figure is due mainly to the overwhelming success of Park Island on Ma Wan.



Flats in Park Island, Ma Wan, emphasize good design, spacious layouts and top-quality materials.



The unique lifestyle in Park Island appeals to a new generation of flat owners. The more than 2,500 units offered virtually sold out in a two-week period.

CHAIRMAN'S STATEMENT



The design of The Leighton Hill in Happy Valley blends luxury and quality. The project was handed over in September 2002.

During the year under review, the Group completed the following 11 projects containing 4.6 million square feet of attributable gross floor area:

Project	Location	Usage	Group's Interest (%)	Attributable Gross Floor Area (square feet)
Oscar by the Sea Phase 2	8 Pung Loi Road, Tseung Kwan O	Residential	Joint venture	1,004,000
The Leighton Hill	Inland Lot 8882, Happy Valley	Residential	100	898,000
The Parcville	33 Yuen Long Kau Hui Road, Yuen Long	Residential	66.7	664,000
Ocean Shores Phase 2	88 O King Road, Tseung Kwan O	Residential	49	574,000
Prima Villa	8 Chui Yan Street, Shatin	Residential	100	511,000
The Belcher's Phase 2	89 Pok Fu Lam Road, western Mid-Levels	Residential	29	386,000
Les Saisons	28 Tai On Street, Shaukeiwan	Residential	30	222,000
Seaview Crescent	Tung Chung Town Lot 3	Residential/Shops	20	243,000
1 Lion Rock Road	1 Lion Rock Road, Kowloon	Residential/Shops	100	26,000
Millennium Trade Centre	56 Kwai Cheong Road, Kwai Chung	Office	100	80,000
7 Minden Avenue	7 Minden Avenue, Kowloon	Office	100	29,000
Total				4,637,000

About 90 per cent of the residential units completed during the year have been sold, while the Millennium Trade Centre in Kwai Chung is being kept for rental.

CHAIRMAN'S STATEMENT

Land Bank

During the year, the Group added a residential site in Tin Ping Shan, Sheung Shui, to its land bank through land use conversion, with a total gross floor area of 537,000 square feet.

The Group's land bank in Hong Kong amounts to 50.4 million square feet, consisting of 19.3 million square feet of completed investment properties and 31.1 million square feet of properties under development.

The Group adds to its land bank when appropriate opportunities arise. In November 2001, the Group agreed with the government on land premiums of HK\$2,100 million for seven sites. The Group also owns over 21 million square feet of agricultural land in the New Territories, mainly located along existing or planned railway lines. The majority of this is in the process of land use conversion, primarily for residential use.

Property Development

So far in 2002, activity in the primary residential market is greater than in the corresponding period last year, notwithstanding sluggish macro-economic conditions in Hong Kong and recent stock market volatility. Homebuyers now are genuine end-users, and the majority are first-time buyers.

The affordability of apartments for the average local family is the strongest ever, and property prices are now back to the level of 1991. This fact, coupled with abundant mortgage financing and record low mortgage interest rates, means that people find it more economical to buy flats than to rent.

The government's housing policy is now more market-driven, allowing greater room for the private sector to meet the demand. The government's recent message concerning housing is clear and positive. These factors are not only conducive to healthy development in the housing market, but also boost homebuyers' confidence in property ownership over the long term. The Group will continue to produce a high volume of residential developments for sale.

Customer satisfaction has always been one of the Group's primary aims, and it enhances its premium-quality, large-scale residential developments with comprehensive clubhouse facilities. The Group offers customers a wider range of flat sizes to choose from in order to suit changing preferences, although the emphasis is on small and medium units.



The Group enhances its premium-quality, large-scale residential developments with comprehensive clubhouse facilities.

CHAIRMAN'S STATEMENT

In spite of a difficult operating environment, the Group's property sales were encouraging. The sale of Park Island Phase 1 saw an overwhelming response in August 2002, and virtually all of Phase 1, comprising over 2,500 units, sold in a two-week period. This remarkable showing reflects the Group's strong branding and commitment to premium-quality developments.

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, all the while maintaining strict cost controls. The Group recently launched a corporate branding campaign aimed at the younger generation of new homebuyers, on the theme 'Building Homes with Our Heart'. The response to date has been positive.

In the coming financial year, the Group expects to complete 6.2 million square feet of gross floor area in attributable terms, compared to 4.6 million square feet in the 2001/02 financial year, as follows:

<i>Attributable Gross Floor Area (million square feet)</i>				
	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



The Group's properties feature beautiful landscaping.

CHAIRMAN'S STATEMENT

Property Investment

Gross rental income during the year, including the Group's share of joint-venture projects, was HK\$5,844 million, compared to HK\$5,877 million last year. Net rental income grew to HK\$4,432 million from HK\$4,401 million, and the slight rise in operating margin was due mainly to better efficiency and cost controls. Despite a slowdown in leasing, occupancy of the Group's investment properties remains satisfactory at 92 per cent.

Although consumer spending remains slow, the Group's retail property portfolio performed satisfactorily, since the malls are located primarily in new towns, supplying daily necessities to their customers. Closer links between Hong Kong and the Mainland will encourage two-way traffic across the border, and the Group's retail portfolio is likely to benefit from this since the majority of the shopping centres are located along the railway network.

The Group upgrades its shopping centres regularly with renovations and adjustments to tenant mix, to increase the flow of shoppers and create value for tenants. It also organizes regular marketing and promotional activities in its malls to improve business and attract shoppers. Renovations to Metroplaza in Kwai Fong finished recently, in line with the Group's shopping mall strategy. The mall now has a better layout and utilization of space, and is virtually fully let at higher rents. Renovations to New Town Plaza in Shatin are being planned to strengthen its branding and enhance rental value.

Two International Finance Centre (Two IFC) is being built above Hong Kong Station on the Airport Railway. It consists of an 88-storey office tower, retail space, two hotel blocks and ample car parking spaces. Construction is proceeding in phases and going well. Completion of the office tower is scheduled for mid-2003. With interactive technology, superb office facilities and a world-renowned, six-star Four Seasons hotel, Two IFC will be a new Central landmark on the Victoria Harbour shoreline. The Group has a 47.5 per cent interest in the entire development, which is scheduled for completion towards the end of 2004.



Two IFC will be a new Central landmark on the Victoria Harbour shoreline.

CHAIRMAN'S STATEMENT

Kowloon Station Development Packages 3, 5, 6 and 7 are situated in a future commercial and cultural centre of Hong Kong, and will include residential units, an office building of over 100 storeys, retail space and hotel complexes. Incorporating the latest technology and ultra-modern design and facilities, the development will be a new landmark for the territory. Foundation work has already begun. The development includes two million square feet of residential space, which is scheduled for presale in the second half of 2003. The whole development will be completed in phases over the next five years.

The Group's Millennium City development in Kwun Tong has transformed Kowloon East into one of the territory's major commercial hubs. Following the success of the first two phases, pre-leasing of the Phase 3 office space has just begun. Phase 5 is the single largest component of Millennium City, comprising office premises and a regional shopping centre of about 600,000 square feet. Foundation work has already started, and the project is scheduled for completion by the end of 2004. The Group sold 407,000 square feet, part of the Phase 5 office space, to a major local bank recently, and this prestigious occupant will help to increase the development's attractiveness in terms of leasing value. The Group intends to keep the remaining space in Phase 5 as a long-term investment.



Millennium City, a key office/commercial development by the Group in eastern Kowloon, has transformed the area into a commercial hub.



Kowloon Station Development Packages 5, 6 and 7 incorporate the latest technology and ultra-modern design and facilities.

Low demand for office space exerted pressure on rents during the year. However, a revival in office demand is likely as global financial markets recover. The opening up of the Mainland market will bring more business and opportunities to Hong Kong. With Hong Kong's role as an international centre for finance, commerce, trade and tourism, demand for high-quality office buildings, as well as residential and retail properties, is expected to rise over the medium to long term.

The Group recently sold its 25 per cent interest in two commercial complexes in the New Territories, and it will consider selling other non-core rental properties to enhance asset turnover and returns. The Group maintains an optimal tenant mix in its portfolio and strives to raise customer and tenant service, aiming to become the landlord of first choice. The Group is confident that its well-diversified, superior rental portfolio will continue to generate solid recurrent income.

CHAIRMAN'S STATEMENT

Information Technology and Telecommunications

SUNeVision

During the period under review, SUNeVision turned a significant corner, shrinking losses through a decisive company-wide restructuring to reduce costs further and improve efficiency. The restructuring included the closure of unprofitable business units, making sufficient provisions on venture capital investments and reducing operating costs, while at the same time, reallocating resources and streamlining management structures. iAdvantage's data centres have performed satisfactorily, and further improvements are expected from new leasing commitments.

SUNeVision remains financially strong, with approximately HK\$1,800 million in cash and interest-bearing securities. SUNeVision's restored fundamentals, revenue-centred strategy and financial strength equip it well for future growth. The company's existing operations will continue to drive business expansion, and tight cost controls will remain in place. SUNeVision will also pursue new technology-related businesses at the appropriate time, to complement its current core operations.



SmarTone returned to profitability in FY2001/02 due to a revitalized focus on its core mobile business.

SmarTone

The year under review marked SmarTone's return to profitability despite a difficult operating environment. Net profit for the year amounted to HK\$115 million, recovering sharply from a net loss of HK\$284 million in the previous year. This improved performance is a result of the company's revitalized focus on its core mobile business and the reorganization of its activities in line with three key business principles: customer orientation, effectiveness and efficiency.

SmarTone has made significant investments to upgrade all areas of its core mobile business. The company will continue to introduce compelling data-centric services, which will be the key drivers for its future growth. SmarTone is ready for the commercial rollout of its 3G network, which will become critical when capacity demand from wide take-up of data-centric services occurs. The Group is confident in SmarTone's future prospects and committed to holding its stake as a long-term strategic investment.

Transportation and Infrastructure

Kowloon Motor Bus

The Kowloon Motor Bus (KMB) recorded strong earnings growth for 2001, reflecting the company's ability to re-deploy resources efficiently under weakened economic conditions. The company will continue to upgrade its bus fleet and introduce environmental-protection measures, as well as provide value-added information facilities, to increase productivity and further improve the quality and reliability of service to its customers. KMB extended its

integrated bus network through bus-to-bus interchange schemes, providing more convenient service to passengers and enabling better utilization of resources. The company also relocated its bus depot from Lai Chi Kok to a newly-completed facility on the West Kowloon reclamation in May 2002. Redevelopment of the former site into a residential complex is planned for completion in 2005. KMB will continue to explore business opportunities in public transport, both in Hong Kong and on the Mainland. RoadShow Holdings, the listed subsidiary of KMB, continues to focus on outdoor media sales and is striving to enrich the information and programming in its multi-media on-board service.



KMB continues to increase productivity and improve the quality and reliability of service to its customers.

Other Infrastructure

The Wilson Group performed well, expanding its car park and transport infrastructure management businesses, while streamlining operating costs. Route 3 (Country Park Section) recorded steady traffic flow during the year.

The River Trade Terminal in Tuen Mun and Airport Freight Forwarding Centre are operating smoothly. Construction of two berths for Asia Container Terminals at Container Terminal 9 is progressing in phases, and completion is expected by mid-2004.

All the Group's infrastructure projects are in Hong Kong and will provide solid returns over the long term.

Hotels

With increasing visitor arrivals, the Group's three hotels recorded satisfactory results during the year. Average occupancy remained high: at 86 per cent for the Royal Garden, 87 per cent for the Royal Park and 85 per cent for the Royal Plaza, all above average industry performance.

The government's efforts to promote Hong Kong as a regional tourism hub and expedite procedures for visitors from the Mainland will continue to boost arrivals. Business travellers to Hong Kong are expected to grow in number over time, because of the increased commercial activity anticipated with China's membership in the World Trade Organization (WTO), and in the longer term, the Beijing Olympics. The Group plans to develop six-star hotels, strategically located above the Hong Kong and Kowloon stations on the Airport Railway, to exploit these new business opportunities.

CHAIRMAN'S STATEMENT



Sun Dong An Plaza in Beijing is a Wangfujing landmark, attracting 200,000 shoppers each weekend.

Mainland Business

China's economy has performed well so far in 2002, and the inflow of foreign direct investment has remained steady. Entry to the WTO has opened China further to foreign investment. This, together with accelerated economic reform, will help drive economic development to a new level.

The Group's property investment portfolio on the Mainland also performed satisfactorily during the year. Sun Dong An Plaza in Beijing was over 96 per cent let, and Shanghai Central Plaza was 94 per cent occupied. With China's promising economic prospects, particularly since its entry to the WTO, the Group has been more active in exploring investment opportunities there.

Corporate Finance

The Group will maintain its conservative financial policy, with high liquidity and low financial leverage. Its net debt to shareholders' funds ratio was 15.6 per cent as at 30th June 2002, and all of its credit facilities are unsecured. The Group has substantial committed undrawn facilities on standby for future business expansion, and its exposure to foreign currency risk is negligible, given that almost all of its borrowings are denominated in Hong Kong dollars. The Group has not taken any speculative positions in derivatives, and it has no off-balance-sheet or contingent liabilities, other than borrowings of joint-venture companies.

In addition, the Group continues to lengthen its debt maturity profile in line with long-term investment needs, and is exploring opportunities to diversify its funding base. During the year, the Group arranged two seven-year, HK\$7,500 million syndicated loan facilities to refinance short-term debt. It also issued fixed-rate notes with maturities up to ten years under its Euro Medium-Term Note programme, to extend its debt maturity further and diversify sources of funding. In the current low interest rate environment, the Group will source long-term financing at competitive rates, as and when appropriate.

Corporate Governance

The Group is committed to the highest standard of corporate governance and determined to ensure that its shareholders benefit from scrupulous adherence to the principles of governance in every aspect of its business. The Group continually strives to maintain a high level of transparency, has established accountability mechanisms and makes improvements wherever possible, all with the full support of the board and management. It also views well-developed reporting systems and internal controls as essential to ensuring the accuracy and reliability of the financial information that it uses internally and releases to the public. As part of this dedication to good corporate governance, the Group discloses information promptly and practises transparent reporting, to build confidence among investors and facilitate their understanding of the Group's affairs.

Customer Service, Human Resources and Environmental Protection

High-quality customer service is paramount for the Group, and it devotes considerable effort to achieving this goal. Various new initiatives have been put in place to streamline new property handover procedures and ensure high standards of quality. The Group's property management companies regularly win awards for their levels of service, estate cleanliness and environmental awareness. They also run recycling programmes for a cleaner, greener Hong Kong and provide a wide range of after-sales service.

The Group believes that people are one of its greatest assets, and it places significant emphasis on recruiting high-calibre staff and offering them ongoing training and development. Staff members are encouraged to practise life-long learning, and the Group strives to instil its staff with a positive attitude towards personal and professional growth. The Group also fosters a strong sense of teamwork as part of its corporate culture.

In addition to the day-to-day interaction between front-line staff and customers, the Group's senior management also makes periodic home visits to strengthen two-way communication with homeowners.

Membership in the SHKP Club is growing, currently standing at over 160,000. Members enjoy a wide range of special privileges related to the Group's shopping centres and residential properties for sale.



High-quality customer service is paramount for the Group and staff are trained to deliver the best.

CHAIRMAN'S STATEMENT

PROSPECTS

Mainland China is expected to grow impressively, and with Hong Kong's strategic location, the territory should be able to take full advantage of this expansion. China's membership in the WTO will open its domestic markets further and speed up economic development, offering enormous business and investment opportunities.

Hong Kong is facing significant economic hurdles and restructuring itself as a knowledge-based economy. Nonetheless, with the unique strengths and advantages it has built and greater economic integration with the fast-growing Pearl River Delta, Hong Kong should be able to overcome the challenges ahead and achieve sustainable future growth.

Over the short term, Hong Kong faces a difficult economic environment because of slower growth worldwide and the fact that the US and European economies have weakened. But while unemployment and deflation still weigh on local investor and consumer confidence, the remarkable upswing in Mainland tourists and improved merchandise exports should offer a ray of optimism.



1 Ho Man Tin Hill sets a new standard for luxury property in Kowloon.

The current low interest rate environment, strong apartment affordability and a pro-market government housing policy should continue to underpin the demand for private developments. Supply is expected to conform better to demand, pointing to a relatively healthier market ahead. The Hong Kong government's population policy, to be released within the next few months, should offer positive news for the territory's economy and private housing market.

Given that Hong Kong people generally have a desire to better their living environments, there is a solid long-term demand. This, coupled with a pro-market government policy, means the Group remains cautiously optimistic about prospects for local residential property, and it believes that the market is likely to remain active in the coming year. The Group will keep producing a high volume of residential units for sale and strengthen its rental income base with new landmark investment properties. To bolster property sales and values, it will continue efforts to ensure that its products meet the finest quality standards and reinforce its brand name. With its strong financial position and long-term growth strategy, the Group will add to its development land bank when appropriate. To optimize its rental portfolio and enhance returns, the Group will also continue to dispose of some non-core rental properties in the future.

CHAIRMAN'S STATEMENT

Although the Group will still focus on its core business in Hong Kong, it will also look for opportunities in Mainland property, mainly in four major cities: Beijing, Shanghai, Guangzhou and Shenzhen. Building on its brand name and Hong Kong expertise, the Group will be able to exploit new business opportunities in China over time.

In July this year, Sun Hung Kai Properties celebrated the 30th anniversary of its founding by the first Chairman, my father Kwok Tak Seng. The late Mr. Kwok always kept his faith in Hong Kong, and over the past 30 years, the Group has grown and prospered with the territory, weathering many storms along the way. Throughout the years, the Group maintained its investment focus on Hong Kong, helping to build the remarkable city that it is today. Experience has shown that with determination and conviction, the Group can overcome adversity and emerge even stronger than before. This faith has served the Group well, and enabled it to grow into one of the territory's foremost property companies. The Group will use its strengths – a powerful brand name, experienced and capable management team and high-calibre staff – to maintain its advantages in today's highly competitive market. Looking to the future, the Group is ready to tackle the challenges ahead with confidence.

Forthcoming pre-sales and steady rental income will reinforce the Group's financial position further. Major residential projects slated for pre-sale in the next six months include Sham Wan Towers in Ap Lei Chau, 1 Po Shan Road in Mid-Levels, 1 Ho Man Tin Hill and 18 Farm Road in Kowloon and Yuen Long Town Lot 503.

About 70 per cent of the residential properties to be completed in the coming financial year have been pre-sold, and barring unforeseen circumstances, the Group's results for the coming year should be satisfactory.

Finally, I would like to take this opportunity to express my gratitude to my fellow directors for their guidance, and to all the staff for their dedication and hard work.

Kwok Ping-sheung, Walter
Chairman & Chief Executive

Hong Kong, 26th September 2002



Celebrating the Group's 30th anniversary, Chairman and Chief Executive Walter Kwok affirms the Group's confidence in Hong Kong.

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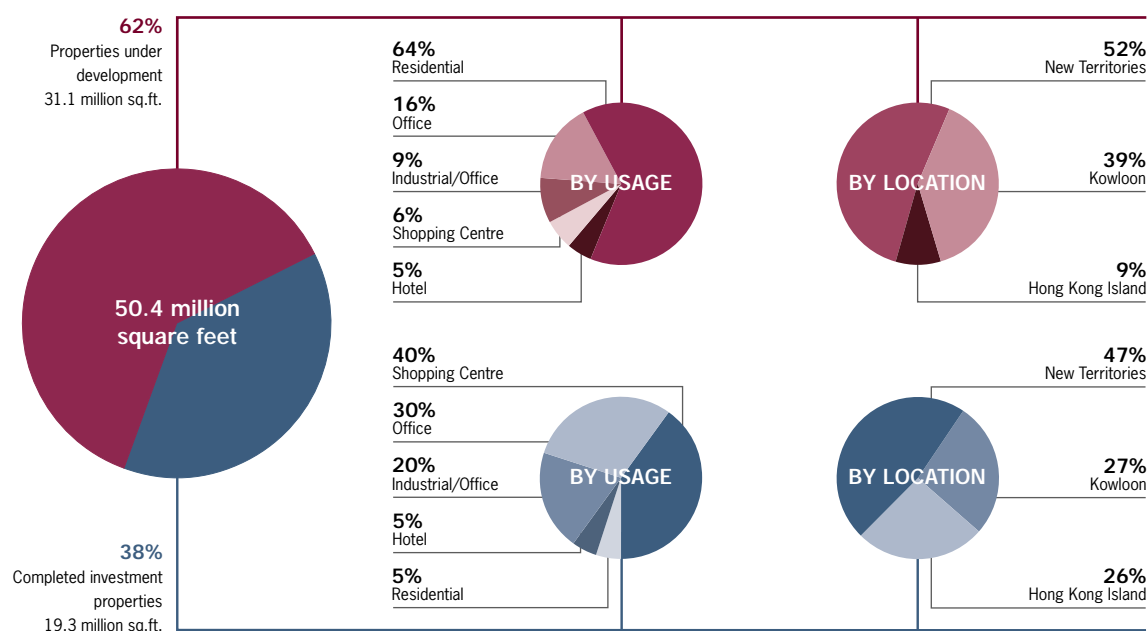
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The Group and
the Community

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.

REVIEW OF OPERATIONS – LAND BANK

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	

REVIEW OF OPERATIONS – PROPERTY DEVELOPMENT

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

Group's Interest (%)	Attributable Gross Floor Area (square feet)			
	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

REVIEW OF OPERATIONS – PROPERTY DEVELOPMENT

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

REVIEW OF OPERATIONS – PROPERTY DEVELOPMENT

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



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.

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



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

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

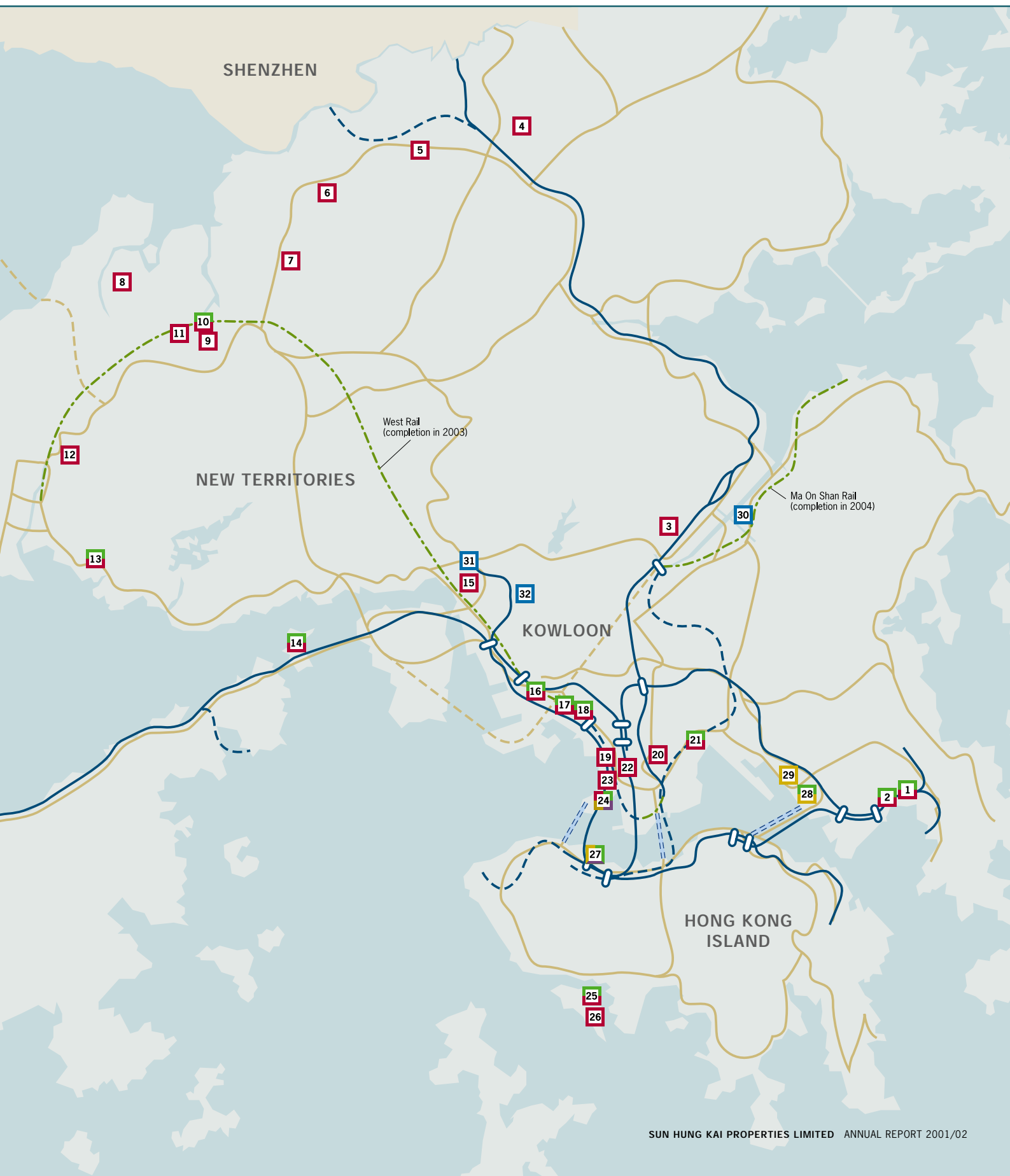
Railways - - -

Planned (completion by 2008)

Railways - - -
Major Highways - - -

LANTAU ISLAND

REVIEW OF OPERATIONS – PROPERTY DEVELOPMENT





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 transform 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.





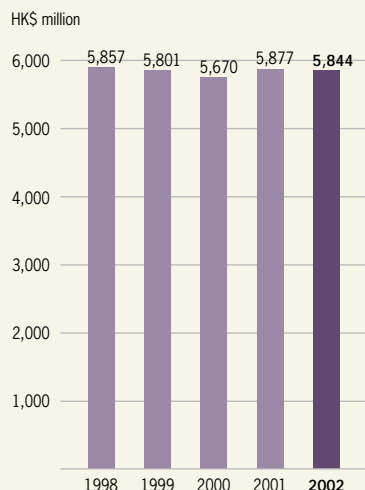
PROPERTY INVESTMENT

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.

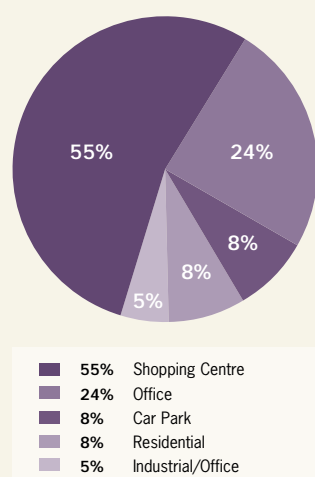
International Finance Centre, Central

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.

REVIEW OF OPERATIONS – PROPERTY INVESTMENT

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
Completed	1.0	7.7	5.9	0.9	3.8
Under Development	–	1.7	4.5	1.6	–
Total	1.0	9.4	10.4	2.5	3.8

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.

REVIEW OF OPERATIONS – PROPERTY INVESTMENT

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 standards.

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

REVIEW OF OPERATIONS – PROPERTY INVESTMENT

Lease Expiry	Group's Interest (%)	Attributable Gross Floor Area (square feet)					Total
		Residential	Shopping Centre	Office	Hotel	Industrial/ Office	
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


REVIEW OF OPERATIONS – PROPERTY INVESTMENT

Major Completed Investment Properties

■ 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

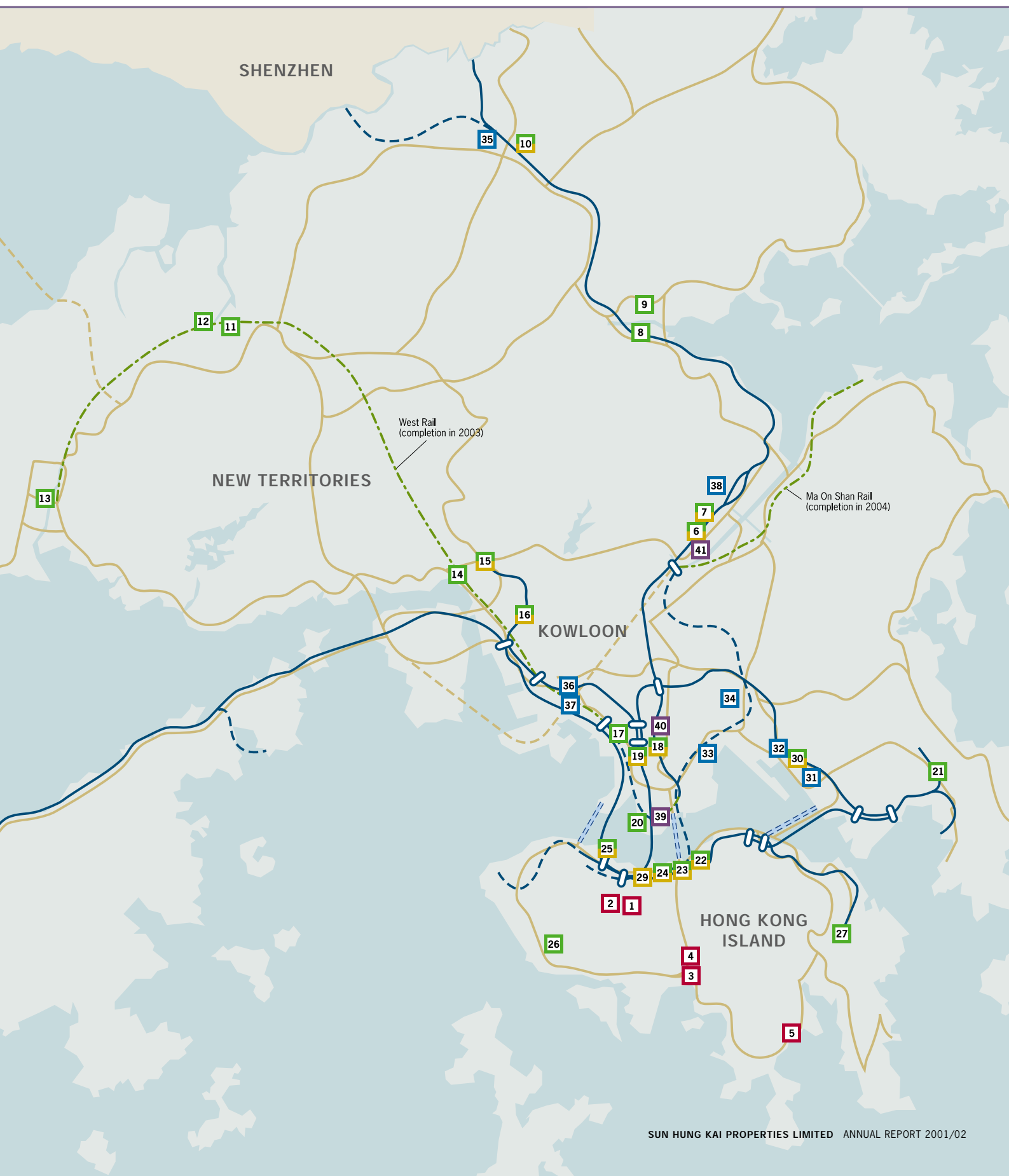
Railways - - - - -

Planned (completion by 2008)

Railways - - - - -
 Major Highways - - - - -

LANTAU ISLAND

REVIEW OF OPERATIONS – PROPERTY INVESTMENT



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.

REVIEW OF OPERATIONS – INFORMATION TECHNOLOGY AND TELECOMMUNICATIONS



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.



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

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.

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.

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 scalable 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.

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



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

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.

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.



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

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



AFFC has a strategic location at Hong Kong International Airport.

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.

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.



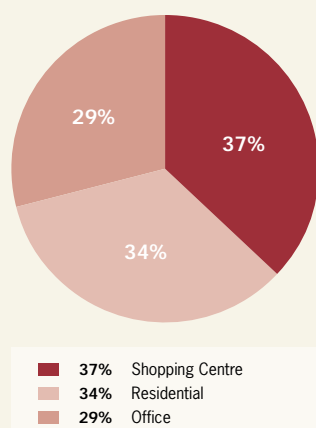
Sun Dong An Plaza, Beijing

REVIEW OF OPERATIONS – MAINLAND BUSINESS

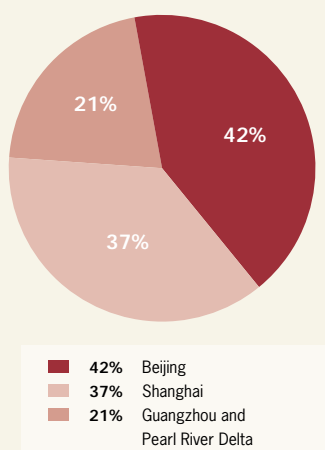
Composition of the Group's Mainland Land Bank

— 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

Zhongsan 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.



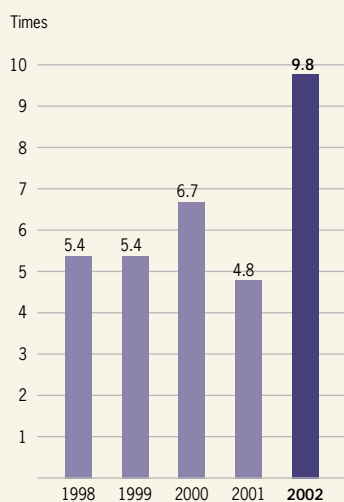
The second phase of Arcadia Shanghai will consist of 129,000 square feet of premium-quality residential apartments.

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



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 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.



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.

REVIEW OF OPERATIONS – CUSTOMER SERVICE

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 Olympus, 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



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FINANCIAL REVIEW

REVIEW OF RESULTS

The Group's profit attributable to shareholders for the year ended 30th June 2002 was HK\$8,519 million, increased by HK\$189 million compared to HK\$8,330 million achieved in the previous year. The results for the year under review included an exceptional impairment provision of HK\$356 million made by its subsidiary, SUNeVision, for its technology investments and one-off costs of HK\$131 million as a result of a restructuring programme of its business.

The Group's turnover for the year was HK\$25,373 million, an increase of HK\$7,672 million over the previous year. The increase was mainly due to higher property sales turnover.

Profit generated from property sales, including share of property sales from jointly controlled entities and associates, was HK\$4,837 million (2001: HK\$4,861 million). Profit contributions for the year mainly came from The Leighton Hill in Happy Valley, The Parcville in Yuen Long, Prima Villa in Shatin, The Belcher's Phase 2 in western Mid-Levels and Les Saisons on Island East.

Net rental income, including share of rental income from jointly controlled entities and associates, was HK\$4,432 million, representing an increase of HK\$31 million over the previous year. The marginal increase was mainly due to the contributions from new rental properties completed during the year including the Citygate commercial centre in Tung Chung and The Westwood shopping arcade at The Belcher's as well as saving on outgoings, more than offsetting the impact of lower rents upon lease renewals.

Operating profit from hotel operation was HK\$189 million (2001: HK\$195 million). The slight decrease was due to room renovation works in Royal Garden causing a drop in room revenue.

Profits generated from other business activities increased by HK\$24 million to HK\$398 million, mainly due to improved operating results of SUNeVision over the previous year.

Other revenue, which comprised mainly income from investment in securities and interest income from advances to joint venture companies, was HK\$394 million (2001: HK\$547 million) and the decrease was mainly due to reduced gains on disposal of marketable securities.

Net finance cost for the year reduced substantially to HK\$566 million (2001: HK\$1,158 million) as a result of reduction in the Group's average borrowings and lower interest rates.

The Group recorded a profit of HK\$48 million (2001: HK\$445 million) from disposal of investments, comprising mainly listed shares originally held for long-term investment.

Share of profits before taxation from associates and jointly controlled entities totalled HK\$1,717 million (2001: HK\$1,582 million). The major non-property associates are KMB, which contributed a pre-tax profit of HK\$599 million (2001: HK\$304 million) and SmarTone, which contributed a pre-tax profit of HK\$35 million (2001: loss of HK\$81 million).

FINANCIAL RESOURCES AND LIQUIDITY

The Group's financial position remains strong, with a large capital base and a low debt leverage. The Group's total shareholders' funds increased slightly to HK\$128,598 million as at 30th June 2002 from HK\$128,408 million at the previous year end, mainly due to the earnings retained in the year partially offset by the downward revaluation of the Group's investment property portfolio.

At 30th June 2002, the Group's total borrowings amounted to HK\$28,329 million. Net debt, after deducting cash and bank deposits of HK\$8,272 million, was HK\$20,057 million. The Group's borrowings are all unsecured and mainly arranged on a medium to long term basis with a maturity profile set out as follows:

As at 30th June	2002 HK\$ Million	2001 HK\$ Million
Repayable:		
Within one year	3,828	4,997
After one year but within two years	6,277	6,680
After two years but within five years	8,335	10,473
After five years	9,889	6,842
Total borrowings	28,329	28,992
Cash and bank deposits	8,272	9,061
Net debt	20,057	19,931

Gearing ratio at the year end, measured by net debt to shareholders' funds, stayed low at 15.6 per cent (2001: 15.5 per cent). Interest cover for the year, measured by the ratio of profit from operations to net interest expenses before capitalization, increased significantly to 9.8 times (2001: 4.8 times).

At the balance sheet date, the Group had contingent liability in respect of guarantees for bank borrowings of joint venture companies in the aggregate amount of HK\$3,789 million (2001: HK\$7,698 million). The significant reduction in contingent liability was mainly due to repayment of bank loans of two joint venture projects namely, Ocean Shores and The Belcher's.

Apart from refinancing short term debts with long term borrowings, the Group has also secured substantial undrawn facilities on a committed basis from its relationship banks, which helps the Group minimize refinancing risk of its debts and provides the Group with strong financing flexibility.

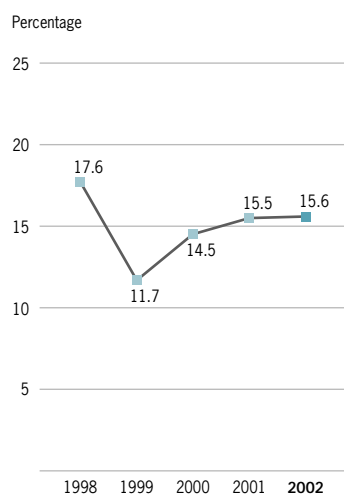
All the Group's financing and treasury activities are centrally managed and controlled at the corporate level. As at 30th June 2002, 98 per cent of the Group's borrowings were raised through its wholly-owned finance subsidiaries and the remaining two per cent through operating subsidiaries.

FINANCIAL REVIEW

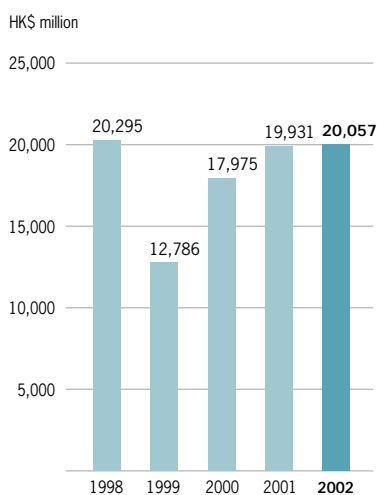
The Group adopts a conservative policy on foreign exchange risk management. Approximately 96 per cent of the Group's borrowings were denominated in Hong Kong dollars, with the balance in US dollars and Reminbi to fund property projects in the Mainland. The Group's borrowings are principally arranged on a floating rate basis. For the fixed rate notes issued under the Euro Medium Term Note Programme, interest rate swaps have been utilised to convert them into floating rate debts. The use of financial derivative instruments is strictly controlled and solely for management of the Group's interest rate and foreign currency exchange rate exposures in connection with its borrowings. It is the policy of the Group not to enter into derivative transactions for speculative purposes. As of 30th June 2002, total outstanding interest rate swaps (to swap into floating rate debt) and currency swaps (to hedge principal repayment of USD debt) amounted to HK\$3,050 million (2001: HK\$3,625 million) and HK\$234 million (2001: HK\$234 million) respectively.

Expenditures incurred on land acquisitions for the year amounted to HK\$2,080 million, which were financed primarily by internally generated funds from operations. With substantial committed banking facilities in place, continuous cash inflow from property sales and a solid base of recurrent income, the Group is in a strong liquidity position and has sufficient financial resources to satisfy its capital commitments and ongoing working capital requirements.

Net Debt to Shareholders' Funds Ratio

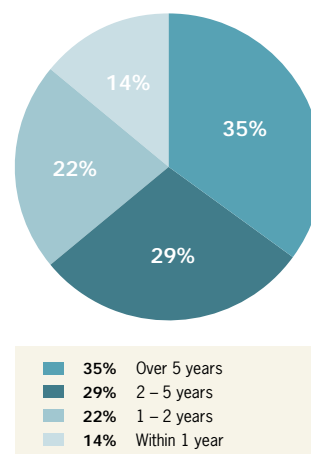


Net Debt



Debt Maturity Profile

As at 30th June 2002



GROUP FINANCIAL SUMMARY

For the year ended 30th June	1998 HK\$M	1999 HK\$M	2000 HK\$M	2001 HK\$M	2002 HK\$M
Turnover	22,890	23,404	25,826	17,701	25,373
Profit from operations	14,128	10,159	8,340	8,329	8,615
Profit attributable to shareholders	7,260	9,278	10,822	8,330	8,519
	HK\$	HK\$	HK\$	HK\$	HK\$
Earnings per share	3.04	3.87	4.51	3.47	3.55
Dividends per share	1.20	1.55	1.75	1.55	1.55
Special cash dividends per share	–	–	–	–	0.60
Total dividends per share	1.20	1.55	1.75	1.55	2.15
Shareholders' funds at book value per share	48.15	45.45	51.56	53.48	53.56
Financial ratios					
Net debt to shareholders' funds (%)					
Net debt	17.60	11.70	14.50	15.50	15.60
Shareholders' funds					
Interest cover (times)					
Profit from operations	5.40	5.40	6.70	4.80	9.80
Net interest expenses before capitalization					
As at 30th June	1998 HK\$M	1999 HK\$M	2000 HK\$M	2001 HK\$M	2002 HK\$M
Fixed assets	91,210	77,915	86,291	94,698	90,989
Associates and jointly controlled entities	14,319	22,296	23,872	25,072	24,952
Investments and loans	3,854	3,815	3,836	3,714	4,661
Land pending development	22,658	15,137	18,908	17,324	13,257
Net current assets	8,103	7,191	16,294	13,205	20,816
Long term liabilities	(24,127)	(16,253)	(23,805)	(23,995)	(24,501)
Minority interests	(880)	(967)	(1,611)	(1,610)	(1,576)
	115,137	109,134	123,785	128,408	128,598
Share capital	1,196	1,201	1,201	1,201	1,201
Share premium and reserves	113,941	107,933	122,584	127,207	127,397
Shareholders' funds	115,137	109,134	123,785	128,408	128,598

Pursuant to the adoption of the SSAP9 (Revised) "Events after the Balance Sheet Date", net current assets and shareholders' funds figures for the years 1998 to 2001 are restated to include the final dividends proposed after the balance sheet dates to conform with current year presentation as explained in Note 1 to the financial statements for the year under review. The shareholders' funds at book value per share and net debt to shareholders' funds are adjusted accordingly.

DIRECTORS' REPORT

The directors present their report for the year ended 30th June 2002:

PRINCIPAL ACTIVITIES

The principal activity of the Company continues to be holding investments in various subsidiaries.

The principal activities of the Group continue to be the development of and investment in properties for sale and rent. Ancillary and supporting businesses, which are described under subsidiaries on pages 134 to 138, are integrated with the main business of the Group. Turnover and contributions to operating profit from overseas activities are immaterial. A segmented analysis of turnover and contributions to operating profit for the Group (excluding jointly controlled entities and associates) is set out below:

HK\$M	Turnover		Profit from Operations before Finance Cost	
	2002	2001	2002	2001
Property				
Property sales	16,164	8,218	4,044	3,625
Rental income	5,336	5,392	4,087	4,073
	21,500	13,610	8,131	7,698
Hotel operation	561	590	189	195
Other business activities	3,312	3,501	398	374
	25,373	17,701	8,718	8,267
Other revenue			394	547
Unallocated administrative expenses			(497)	(485)
Profit from operations			8,615	8,329

GROUP PROFITS

Profit after taxation, including share of profits less losses from jointly controlled entities and associates, amounted to HK\$8,455 million (2001: HK\$8,340 million). After taking minority interests into account, profit attributable to shareholders was HK\$8,519 million (2001: HK\$8,330 million).

DIVIDENDS

An interim dividend of HK\$0.55 per share (2001: HK\$0.55) was paid on 8th April 2002. The directors recommend a final dividend of HK\$1.00 per share (2001: HK\$1.00) and a special cash dividend of HK\$0.60 per share (2001: Nil), making a total dividend of HK\$2.15 per share for the full year ended 30th June 2002 (2001: HK\$1.55).

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company did not redeem any of its ordinary shares during the year. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's ordinary shares during the year.

SHARE PREMIUM AND RESERVES

Movements in the share premium and reserves of the Company and the Group during the year are shown in note 27 to the financial statements.

FIXED ASSETS

Movements of fixed assets during the year are shown in note 12 to the financial statements.

DIRECTORS' REPORT

GROUP FINANCIAL SUMMARY

The results, assets and liabilities of the Group for the last five years are summarized on page 75.

PROPERTIES

Particulars of major investment properties held by the Group are set out on pages 44 and 45.

DIRECTORS

The list of directors is set out on page 8 of the report and their particulars are set out on pages 89 to 93. All directors held office for the whole year. In accordance with Article 104(A) of the Company's Articles of Association, Dr. Lee Shau-kee, Sir Po-shing Woo, Mr. Kwan Cheuk-yin, William and Mr. Chan Kui-yuen, Thomas will retire by rotation at the forthcoming Annual General Meeting and, being eligible, will offer themselves for re-election. None of the directors proposed for re-election has a service agreement with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN EQUITY SECURITIES

As at 30th June 2002, the interests of the directors and the chief executive in the equity securities of the Company and its Associated Corporations (as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

1. Shares in Sun Hung Kai Properties Limited

Name of Directors	Personal Interest	Family Interest	Corporate Interest	Other Interest	Total No. of Shares
Kwok Ping-sheung, Walter	–	–	–	1,075,346,522*	1,075,346,522
Lee Shau-kee	486,340	–	–	343,000	829,340
Kwok Ping-kwong, Thomas	1,901,281	304,065	–	1,073,396,214*	1,075,601,560
Kwok Ping-luen, Raymond	–	1,000	–	1,076,539,895*	1,076,540,895
Kwan Cheuk-yin, William	200,000	–	–	–	200,000
Lo Chiu-chun, Clement	137,273	62,117	–	–	199,390
Law King-wan	20,000	70,267	–	–	90,267
Chan Kai-ming	41,186	–	–	–	41,186
Chan Kui-yuen, Thomas	126,500	66,000	–	–	192,500
Kwong Chun	702,722	339,358	–	–	1,042,080
Wong Yick-kam, Michael	50,904	–	–	–	50,904
Wong Chik-wing, Mike	150,999	–	–	–	150,999

* **Note:** Those were deemed interests (by virtue of the SDI Ordinance) of Messrs. Kwok Ping-sheung, Walter, Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond. Of those shares in the Company, 1,053,362,347 shares represented the same interests and were therefore duplicated amongst those three directors.

DIRECTORS' REPORT

2. Shares in SUNeVision Holdings Limited

Name of Directors	Personal Interest	Family Interest	Corporate Interest	Other Interest	Total No. of Shares
Kwok Ping-sheung, Walter	–	–	–	1,070,000*	1,070,000
Kwok Ping-kwong, Thomas	–	–	–	1,070,000*	1,070,000
Kwok Ping-luen, Raymond	672,500	–	–	1,070,000*	1,742,500
Fung Kwok-king, Victor	–	–	–	8,000	8,000
Kwan Cheuk-yin, William	884	–	–	–	884
Chan Kai-ming	115,000	–	–	–	115,000
Kwong Chun	300,000	–	–	–	300,000
Wong Yick-kam, Michael	100,000	–	–	–	100,000
Wong Chik-wing, Mike	109,000	–	–	–	109,000

* **Note:** Those were deemed interests (by virtue of the SDI Ordinance) of Messrs. Kwok Ping-sheung, Walter, Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond. Of those shares in SUNeVision Holdings Limited ("SUNeVision"), 1,070,000 shares represented the same interests and were therefore duplicated amongst those three directors.

3. Shares in Other Associated Corporations

- (a) Each of Messrs. Kwok Ping-sheung, Walter, Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond had the following interests in the equity securities of the following Associated Corporations:

Associated Corporations	No. and Class of Securities	Category of Interest
Superindo Company Limited	10 Ordinary shares	Personal
Super Fly Company Limited	10 Ordinary shares	Personal
Splendid Kai Limited	2,500 Ordinary shares	Corporate*
Hung Carom Company Limited	25 Ordinary shares	Corporate*
Tinyau Company Limited	1 Ordinary share	Corporate*
Open Step Limited	8 Ordinary shares	Corporate*

* **Note:** Those were deemed interests (by virtue of the SDI Ordinance) of Messrs. Kwok Ping-sheung, Walter, Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond because those securities were held by corporations in which they were entitled to control the exercise of one third or more of the voting rights in the general meetings of those corporations.

- (b) Mr. Kwok Ping-sheung, Walter, Mr. Kwok Ping-luen, Raymond and Sir Sze-yuen Chung had personal interests of 61,522 ordinary shares, 393,350 ordinary shares and 18,821 ordinary shares respectively in the equity securities of The Kowloon Motor Bus Holdings Limited.
- (c) Mr. Kwok Ping-luen, Raymond had personal interests of 692,846 ordinary shares in the equity securities of SmarTone Telecommunications Holdings Limited.

DIRECTORS' REPORT

(d) Dr. Lee Shau-kee had other interests in the equity securities of the following Associated Corporations:

Associated Corporations*	No. and Class of Securities
Mightypattern Limited	200 ordinary shares
Star Play Development Limited	1 ordinary share
Central Waterfront Property Holdings Limited	47.5% of issued share capital
Newfoundworld Holdings Limited	40,000 ordinary shares
Topcycle Development Limited	1 ordinary share
Anbok Limited	2 ordinary shares
Teamfield Property Limited	4,918 ordinary shares

* **Note:** The shares in Mightypattern Limited and Star Play Development Limited were beneficially owned by Henderson Investment Limited ("HI").

The respective interests of Henderson Land Development Company Limited ("HL") and The Hong Kong and China Gas Company Limited (a company in which the subsidiaries of HI own more than one-third of its issued shares) in Central Waterfront Property Holdings Limited are 32.5 per cent and 15 per cent respectively.

The shares in Newfoundworld Holdings Limited and Topcycle Development Limited were beneficially owned by HL.

The shares in Anbok Limited and Teamfield Property Limited were held by a company in which HL had a 50 per cent interest.

Dr. Lee Shau-kee beneficially owned all the issued capital of Hopkins (Cayman) Limited. Hopkins (Cayman) Limited as the trustee of a unit trust owns all the issued ordinary shares which carry the voting rights in the capital of Henderson Development Limited ("HD"). HD was the holding company of HL which was the holding company of HI.

By virtue of the SDI Ordinance and the matters aforesaid, Dr. Lee Shau-kee was taken to be interested in the shares and interests as mentioned hereinabove.

4. Share Options in the Company and its Associated Corporations

The interests of the directors and the chief executive in the share options of the Company and its Associated Corporations are stated in the Share Option Schemes section below.

As the Company has not issued any debt securities, therefore save as disclosed above and in the Share Option Schemes below, none of the other directors had any interests in the equity and debt securities of the Company or any of its Associated Corporations as at 30th June 2002 as recorded in the register maintained under Section 29 of the SDI Ordinance. Furthermore, during the year, other than the directors and chief executive of the Company stated above, there was no record of any other person that had maintained an interest in the equity securities of the Company in the register required to be kept under Section 16 (1) of the SDI Ordinance.

SHARE OPTION SCHEMES

1. Sun Hung Kai Properties Limited Share Options

The Company has on 20th November 1997 adopted a share option scheme ("SHKP Share Options" herein also referred to as "the Scheme"). The major terms of the Scheme, in conjunction with to the requirements of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"), are as follows:

1. The purpose of the Scheme is to provide incentives to the participants.
2. The participants of the Scheme are full-time employees including executive directors of the Company and its subsidiaries.
3. The maximum number of shares in respect of which options may be granted under the Scheme must not exceed one per cent of the total number of shares of the Company in issue from time to time. As at 26th September 2002, the number of shares available for issue in respect thereof is 24,009,073 shares.

DIRECTORS' REPORT

4. No participant shall be granted an option which, if exercised in full, would result in such participant's maximum entitlement to exceed 25 per cent of the aggregate number of shares for the time being issued and issuable under the Scheme.
5. The exercise period of any option granted under the Scheme must not be more than five years commencing on the date of grant.
6. No option can be exercised during the first year of the exercise period.
7. The acceptance of an offer of the grant of the option must be made within 28 days from the date of grant with a non-refundable payment of HK\$1.00 from the grantee.
8. The exercise price of an option to subscribe for shares granted pursuant to the Scheme shall be the highest of:-
 - the closing price of the shares as stated in daily quotations sheet of The Stock Exchange of Hong Kong Limited ("the Stock Exchange") on the date on which an offer is made to a participant, which must be a business day;
 - the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which an offer is made; and
 - the nominal value of the shares of the Company.
9. The Scheme shall be valid and effective till 19th November 2007.

Since its adoption, the Company has granted two lots of share options on 15th February 2000 and 16th July 2001. All options granted and accepted can be exercised up to one third during the second year from the date of grant, up to two thirds during the third year from the date of grant, and in whole or in part during the fourth and fifth years from the date of grant, thereafter the relevant options will expire.

The following shows the outstanding positions of the directors and chief executive as at 30th June 2002 with respect to their SHKP Share Options:

Name of Director	Date of Grant	Exercise Price HK\$	Number of Share Options					Balance as at 30.6.2002
			Balance as at 1.7.2001	Granted During the Year	Exercised During the Year	Cancelled/ Lapsed During the Year	Balance as at 30.6.2001	
Kwok Ping-sheung, Walter	16.7.2001	70.00	–	75,000	–	–	75,000	75,000
Kwok Ping-kwong, Thomas	16.7.2001	70.00	–	75,000	–	–	75,000	75,000
Kwok Ping-luen, Raymond	16.7.2001	70.00	–	75,000	–	–	75,000	75,000
Law King-wan	16.7.2001	70.00	–	75,000	–	–	75,000	75,000
Chan Kai-ming	16.7.2001	70.00	–	75,000	–	–	75,000	75,000
Chan Kui-yuen, Thomas	15.2.2000	70.00	150,000	–	–	–	150,000	
	16.7.2001	70.00	–	75,000	–	–	<u>75,000</u>	225,000
Kwong Chun	16.7.2001	70.00	–	75,000	–	–	75,000	75,000
Wong Yick-kam, Michael	15.2.2000	70.00	150,000	–	–	–	150,000	
	16.7.2001	70.00	–	75,000	–	–	<u>75,000</u>	225,000
Wong Chik-wing, Mike	15.2.2000	70.00	150,000	–	–	–	150,000	
	16.7.2001	70.00	–	75,000	–	–	<u>75,000</u>	225,000

DIRECTORS' REPORT

A summary of the movements during the year ended 30th June 2002 of the share options granted under the SHKP Share Options to the employees of the Company working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance, other than the directors and chief executive as disclosed above, is as follows:-

Date of Grant	Number of Share Options					
	Exercise Price HK\$	Balance as at 1.7.2001	Granted During the Year	Exercised During the Year	Cancelled/ Lapsed During the Year	Balance as at 30.6.2002
15.2.2000	70.00	360,000	–	–	–	360,000
16.7.2001	70.00	–	1,446,000	–	–	<u>1,446,000</u> 1,806,000

Other than the participants as stated above, the Company has not granted since the adoption of the SHKP Share Options any share options to any other persons as required to be disclosed under Rule 17.07 of the Listing Rules.

Pursuant to Rule 17.08 of the Listing Rules, the valuation of the SHKP Share Options granted during the year ended 30th June 2002 is as follows:-

Name of Participants	Number of Options Granted on 16.7.2001	Option Value as at 16.7.2001 (HK\$)	Option Value as at 30.6.2002(HK\$)
Kwok Ping-sheung, Walter (<i>Chairman and Chief Executive</i>)	75,000	1,931,739	1,066,661
Kwok Ping-kwong, Thomas (<i>Director</i>)	75,000	1,931,739	1,066,661
Kwok Ping-luen, Raymond (<i>Director</i>)	75,000	1,931,739	1,066,661
Law King-wan (<i>Director</i>)	75,000	1,931,739	1,066,661
Chan Kai-ming (<i>Director</i>)	75,000	1,931,739	1,066,661
Chan Kui-yuen, Thomas (<i>Director</i>)	75,000	1,931,739	1,066,661
Kwong Chun (<i>Director</i>)	75,000	1,931,739	1,066,661
Wong Yick-kam, Michael (<i>Director</i>)	75,000	1,931,739	1,066,661
Wong Chik-wing, Mike (<i>Director</i>)	75,000	1,931,739	1,066,661
Aggregate total of employees	1,446,000	37,243,928	20,565,214
Total	2,121,000	54,629,579	30,165,163

The closing price of the shares of the Company immediately before the date on which the SHKP Share Options were granted was HK\$71.25.

According to the Black-Scholes model*, the total value of the options of the Scheme granted on 16th July 2001 was estimated at HK\$54,629,579 with the following variables and assumptions:-

1. *Risk Free Rate*

5.54 per cent, being the approximate yield of 5-year Exchange Fund Note traded on 16th July 2001.

2. *Expected Volatility*

42.48 per cent, being the annualised volatility of the closing price of the shares of the Company from 16th July 2000 to 15th July 2001.

DIRECTORS' REPORT

3. Expected Dividend

- (i) Yield: 2.24 per cent, being 2001 prospective dividend yield of the shares of the Company.
- (ii) Growth Rate: -7.1 per cent p.a., being 5-year historical dividend growth rate of the Company.

4. Expected Life of the options is 5 years with the following assumptions:

- (i) There is no material difference between the expected volatility over the whole life of the options and the historical volatility of the shares of the Company over the period of from 16th July 2000 to 15th July 2001.
- (ii) There is no material difference between the dividend growth rate over the whole life of the options and the historical dividend growth rate of the Company over the previous five years.

According to the Black-Scholes model*, the total value of the options of the Scheme granted on 16th July 2001 was estimated at HK\$30,165,163 as at 30th June 2002 with the following variables and assumptions:-

1. Risk Free Rate

4.39 per cent, being the approximate yield of 5-year Exchange Fund Note traded on 30th June 2002.

2. Expected Volatility

38.23 per cent, being the annualised volatility of the closing price of the shares of the Company from 1st July 2001 to 30th June 2002.

3. Expected Dividend

- (i) Yield: 2.61 per cent, being 2002 prospective dividend yield of the shares of the Company.
- (ii) Growth Rate: -7.9 per cent p.a., being 5-year historical dividend growth rate of the Company.

4. Expected Life of the options is 4 years with the following assumptions:

- (i) There is no material difference between the expected volatility over the whole life of the options and the historical volatility of the shares of the Company over the period from 1st July 2001 to 30th June 2002.
- (ii) There is no material difference between the dividend growth rate over the whole life of the options and the historical dividend growth rate of the Company over the previous five years.

All the options forfeited before expiry of the Scheme will be treated as lapsed options which will not be added back to the number of shares available to be issued under the Scheme.

* **Note:** The Black-Scholes model (the "Model") is developed to estimate the fair value of publicly traded options that have no vesting restriction and are fully transferable. The Model is only one of the commonly used models to estimate the fair value of an option. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

2. Share Options of Subsidiaries

The Company has on 4th May 2000 adopted three more share option schemes which were approved for three subsidiaries of the Company, SUNeVision Holdings Limited ("SUNeVision Share Option Scheme"), iAdvantage Limited ("iAdvantage Share Option Scheme") and SUNeVision Red-Dots Limited ("Red-Dots Share Option Scheme"). While Red-Dots Share Option Scheme (which had never been granted) was expired and lapsed on 8th January 2002, no option shares under iAdvantage Share Option Scheme have been granted to any person since their adoption that require to be disclosed under the Listing Rules.

The major terms of the SUNeVision Share Option Scheme and iAdvantage Share Options Scheme ("the Schemes"), in conjunction with the requirements of Chapter 23 of the Rules Governing the Listing of Securities on the Growth Enterprises Market ("GEM") of the Stock Exchange, are as follows:

1. The purposes of the Schemes are to provide incentives to their respective participants.
2. The participants of the SUNeVision Share Option Scheme are full-time employees including executive directors of SUNeVision and its subsidiaries.

The participants of the iAdvantage Share Option Scheme are full-time employees including executive directors of iAdvantage Limited ("iAdvantage") and its subsidiaries.

3. The maximum number of shares in respect of which options may be granted under the SUNeVision Share Option Scheme must not exceed 10 per cent of the total number of shares of SUNeVision in issue from time to time. As at 26th September 2002, the number of shares available for issue in respect thereof is 202,642,350.

The maximum number of shares in respect of which options may be granted under the iAdvantage Share Option Scheme must not exceed 10 per cent of the total number of shares of iAdvantage in issue from time to time. The issued share capital of iAdvantage as at 26th September 2002 is HK\$4. No option shares for the iAdvantage Share Option Scheme have been granted to any person since their adoption.

4. Pursuant to each of the Schemes, no participant shall be granted an option which, if exercised in full, would result in such participant's maximum entitlement to exceed 25 per cent of the aggregate number of the shares for the time being issued and issuable under the respective Scheme.
5. The exercise period of any option granted under the SUNeVision Share Option Scheme must not be less than three years to be notified by the Board of SUNeVision to each grantee which period of time shall commence on the date of grant of the option and expire on such date as determined by the Board of SUNeVision or 28th February 2010, whichever is the earlier, and subject to the provisions for early termination contained therein.

The exercise period of any option granted under the iAdvantage Share Option Scheme must not be less than three years to be notified by the Board of iAdvantage to each grantee which period of time shall commence on the date of grant of the option and expire on such date as determined by the Board of iAdvantage or 28th February 2010, whichever is the earlier, and subject to the provisions for early termination contained therein.

6. Pursuant to each of the Schemes, an option may be exercised in accordance with the terms of the respective Scheme at any time during a period to be notified by the respective Board to each grantee.
7. Pursuant to each of the Schemes, the acceptance of an offer of the grant of the respective options must be made within 28 days from the date of grant with a non-refundable payment of HK\$1.00 from the grantee.

DIRECTORS' REPORT

8. The exercise price of an option to subscribe for shares granted pursuant to the SUNeVision Share Option Scheme shall be the highest of:-

- the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which an offer is made to a participant, which must be a business day;
- the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which an offer is made; and
- the nominal value of the shares of the respective company.

The exercise price of an option to subscribe for shares granted pursuant to the iAdvantage Share Option Scheme shall be determined by the Board and notified to the grantee and shall not be less than the nominal value of an iAdvantage Share provided that in the case of a grantee which is a director of any holding company of iAdvantage which is also listed on the GEM or the Main Board of the Stock Exchange or his or her associate, the subscription price shall be determined on a fair and reasonable basis and not to be less than the latest audited net tangible assets per share of iAdvantage.

9. The Schemes shall be valid and effective till 28th February 2010.

Pursuant to the SUNeVision Share Option Scheme, the following directors and chief executive of the Company were granted share options to subscribe for shares in SUNeVision, details of which are as follows:

Name of Director	Date of Grant	Exercise Price HK\$	Number of Share Options				Balance as at 30.6.2002
			Balance as at 1.7.2001	Granted During the Year	Exercised During the Year	Cancelled/ Lapsed During the Year	
Kwok Ping-sheung, Walter	28.3.2000	10.38	415,000	–	–	–	415,000
	7.4.2001	2.34	180,000		–	–	<u>180,000</u> 595,000
Kwok Ping-kwong, Thomas	28.3.2000	10.38	415,000	–	–	–	415,000
	7.4.2001	2.34	180,000		–	–	<u>180,000</u> 595,000
Kwok Ping-luen, Raymond	28.3.2000	10.38	755,000	–	–	–	755,000
	7.4.2001	2.34	350,000		–	–	<u>350,000</u> 1,105,000
Chan Kui-yuen, Thomas	28.3.2000	10.38	510,000	–	–	–	510,000
	7.4.2001	2.34	180,000		–	–	<u>180,000</u> 690,000
Wong Yick-kam, Michael	28.3.2000	10.38	360,000	–	–	–	360,000
	7.4.2001	2.34	180,000		–	–	<u>180,000</u> 540,000

The options at the exercise price of HK\$10.38 per share may be exercised in accordance with the terms of the scheme as to:

- one third of the options within three years commencing on 31st December 2000;
- a further one third of the options within three years commencing on 31st December 2001;
- the remaining one third of the options within three years commencing on 31st December 2002; and
- the options will expire on 30th December 2005.

DIRECTORS' REPORT

The options at the exercise price of HK\$2.34 per share may be exercised in accordance with the terms of the relevant scheme as to:

- (i) one third of the options within three years commencing on 20th March 2002;
- (ii) a further one third of the options within three years commencing on 20th March 2003;
- (iii) the remaining one third of the options within three years commencing on 20th March 2004; and
- (iv) the options will expire on 19th March 2007.

A summary of the movements during the year ended 30th June 2002 of the share options granted under the SUNeVision Share Option Scheme to the employees of the Company working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance, other than the directors and chief executive as disclosed above, is as follows:-

Date of Grant	Number of Share Options					
	Exercise Price HK\$	Balance as at 1.7.2001	Granted During the Year	Exercised During the Year	Cancelled/ Lapsed During the Year	Balance as at 30.6.2002
28.3.2000	10.380	2,580,000	–	–	–	2,580,000
30.11.2000	3.885	937,500	–	–	250,000	687,500
7.4.2001	2.340	1,305,000	–	–	–	<u>1,305,000</u> 4,572,500

Other than the participants as stated above, SUNeVision has not granted since the adoption of the SUNeVision Share Option Scheme any share options to any other persons as required to be disclosed under Rule 17.07 of the Listing Rules.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the share option schemes as mentioned above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or of any other body corporate.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS

As at 30th June 2002, the interests of every person, other than a director or chief executive of the Company, being 10 per cent or more in the equity securities of the Company as recorded in the register required to be kept under Section 16(1) of the SDI Ordinance, were as follows:

Name	Number of Shares
HSBC Holdings plc	1,127,673,876
HSBC Bank plc	1,082,887,682
Midcorp Limited	1,082,887,682
Griffin International Limited	1,082,887,682
HSBC Europe BV	1,082,887,682
HSBC Europe (Netherlands) BV	1,082,887,682
HSBC International Trustee Limited *	1,082,875,682

* **Note:** The shares in which HSBC International Trustee Limited was interested formed part of the shares in which HSBC Europe (Netherlands) BV was interested; the shares in which HSBC Europe (Netherlands) BV was interested were shares in which HSBC Europe BV was interested; the shares in which HSBC Europe BV was interested were the shares in which Griffin International Limited was interested, the shares in which Griffin International Limited was interested were the shares in which Midcorp Limited was interested, the shares in which Midcorp Limited was interested were the shares in which HSBC Bank plc was interested and the shares in which HSBC Bank plc was interested formed part of the shares in which HSBC Holdings plc was interested.

Of the above shares in the Company in which HSBC International Trustee Limited was interested, 1,053,362,347 shares were the shares referred to in the Note to section 1 of the sub-section on "Directors' Interests in Equity Securities".

BANK AND OTHER BORROWINGS

Details of bank and other borrowings are set out in notes 21 and 23 to the financial statements on pages 125 and 126.

INTEREST CAPITALIZED

Interest capitalized during the year amounted to HK\$317 million (2001: HK\$593 million).

CHARITABLE DONATIONS

HK\$68 million was donated during the year (2001: HK\$47 million).

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

The interests of directors of the Company in competing businesses as at 30th June 2002 required to be disclosed pursuant to Rule 8.10 of the Listing Rules were as follows:

Messrs. Kwok Ping-sheung, Walter, Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond are brothers (collectively "the Kwok Brothers") within a family whose businesses consist of property development and investment in Hong Kong through companies in which they have maintained certain personal and deemed interests. As such, they are regarded as being interested in such competing businesses ("Excluded Businesses") with the Company and its subsidiaries ("the Group"). However, when compared with the dominance and size of operations of the Group, such Excluded Businesses are immaterial. Since the Group does not have property developments and investments in locations other than in Hong Kong and Mainland China and the Kwok family does not have such business in the Mainland, the Kwok Brothers are therefore not regarded to be interested in such Excluded Businesses of the Group in the Mainland.

DIRECTORS' REPORT

Messrs. Kwok Ping-sheung, Walter and Kwok Ping-luen, Raymond are directors of The Kowloon Motor Bus Holdings Limited in which the Group has a substantial interest, which businesses consist of property development and investment. In this regard, each of them is regarded to be interested in such Excluded Businesses with the Group.

Messrs. Kwok Ping-luen, Raymond and Wong Yick-kam, Michael are respectively the Chairman and a director of SmarTone Telecommunications Holdings Limited in which the Group has a substantial interest, which businesses consist of internet services. In this respect, they are regarded to be interested in such Excluded Businesses with SUNeVision Holdings Limited, the technology arm of the Group.

Dr. Lee Shau-kee is the Chairman and Managing Director of Henderson Land Development Co. Limited and Henderson Investment Limited. He is also Chairman of Henderson China Holdings Limited, a director of The Miramar Hotel and Investment Co. Limited, The Hong Kong and China Gas Company Limited and certain subsidiaries of the aforementioned listed companies. In addition to his being a director, Dr. Lee has maintained certain personal and deemed interests in some of these companies, which businesses consist of property development and investment, property management, infrastructure, internet and telecommunication services, which constitute Excluded Businesses of the Group. Dr. Lee is a non-executive director of the Company, who is not involved in the daily management of the Group.

Messrs. Kwok Ping-luen, Raymond and Wong Yick-kam, Michael are non-executive directors of USI Holdings Limited and Mr. Wong Yick-kam, Michael also acts as alternate director to Mr. Kwok Ping-luen, Raymond. The Group has a substantial interest in the company, which businesses consist of property development and investment, and therefore each of them is regarded to be interested in such Excluded Businesses with the Group.

Other than the family businesses of the Kwok Brothers, the above-mentioned Excluded Businesses are managed by separate publicly listed companies with independent management and administration. In this respect, coupled with the diligence of its independent non-executive directors and the Audit Committee, the Group is capable of carrying on its businesses independent of, and at arms length from, the Excluded Businesses mentioned above.

CONNECTED TRANSACTION

On 14th September 2001, the Company provided a guarantee ("the Guarantee") in favour of a financial institution in the amount of 75/95 (approximately 78.95 per cent) of the obligation and liabilities of Shanghai Central Plaza Property Co., Ltd. ("the Borrower") under a US\$ loan facility of US\$50,000,000 and a Renminbi loan facility of RMB82,800,000. The Borrower is a Cooperative Joint Venture in which the Company has an effective holding of 75 per cent.

The other two ultimate shareholders of the Borrower, namely, Recosia Pte Ltd. ("Recosia") and Wing Tai Holdings Ltd. ("Wing Tai") has respectively provided guarantee for 15/95 (approximately 15.79 per cent) and 5/95 (approximately 5.26 per cent) of the Borrower's indebtedness.

In view of the foreign exchange restrictions in the PRC, the giving of guarantee by 上海復興建設發展有限公司 ("the Chinese Party"), being the remaining five per cent equity holder of the Borrower, in respect of a loan in foreign currency would not be approved. The Company, Recosia and Wing Tai therefore have provided guarantees on behalf of the Chinese Party in the aforesaid manner.

In view of above, the granting of the Guarantee by the Company constitute a connected transaction under Rule 14.25 (2)(a) of the Listing Rules.

DIRECTORS' REPORT

INTEREST IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director had a material interest subsisted at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, less than 30 per cent of the Group's sales and less than 30 per cent of the Group's purchases were attributable to the Group's five largest customers and five largest suppliers respectively.

AUDITORS

The retiring auditors, Messrs. Deloitte Touche Tohmatsu, have signified their willingness to continue in office. A resolution will be proposed at the Annual General Meeting to re-appoint them and to authorize the directors to fix their remuneration.

AUDIT COMMITTEE

The Audit Committee, which was established pursuant to the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, comprising Mr. Kwan Cheuk-yin, William (Chairman), Sir Sze-yuen Chung and Mr. Lo Chiu-chun, Clement, met twice in the year.

During the meetings, the Committee reviewed and made recommendations on the improvement of the Company's financial reporting process and internal controls.

CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the listing of Securities on The Stock Exchange of Hong Kong Limited during the accounting period covered by this annual report.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Board.

Kwok Ping-sheung, Walter
Chairman & Chief Executive

Hong Kong, 26th September 2002

DIRECTORS AND ORGANIZATION

KWOK Ping-sheung, Walter

MSc (Lond), DIC, MICE, JP

Chairman & Chief Executive (Age: 51)

Mr. Kwok has been with the Group for 28 years. He holds a Master of Science degree in Civil Engineering from Imperial College, University of London, and is a Member of the Institute of Civil Engineers. He is an Executive Director of SUNeVision Holdings Limited and a Director of The Kowloon Motor Bus Holdings Limited, Wilson Parking (HK) Ltd. and Hung Cheong Import & Export Co., Ltd.

He is also a Director of The Real Estate Developers Association of Hong Kong and Tsimshatsui East Property Developers' Association Ltd. and Honorary Treasurer of the Federation of Hong Kong Hotel Owners. On the community front, he is the Chairman of the Former Directors Committee of the Hong Kong Community Chest, Board Member of the Lord Wilson Heritage Trust, a Member of the Young Presidents' Organization (China Chapter) and a Member of the Hong Kong & China Committee of the Pacific Basin Economic Council.

Mr. Kwok is an Honorary Citizen of Beijing & Guangzhou, a Member of the National Committee of the Chinese People's Political Consultative Conference and Vice Chairman of the All-China Federation of Industry and Commerce. Mr. Kwok is the elder brother of Mr. Kwok Ping-kwong, Thomas and Mr. Kwok Ping-luen, Raymond.

Dr. LEE Shau-kee

DBA(Hon), DSSc(Hon), LLD(Hon)

Non-Executive Director

Vice Chairman (Age: 74)

Dr. Lee has been a Non-Executive Director of the Company for the last 30 years. He is the Founder and Chairman and Managing Director of Henderson Land Development Company Ltd. and Henderson Investment Ltd. He has been engaged in property development in Hong Kong for more than 46 years. He is also Chairman of Henderson Cyber Ltd., The Hong Kong and China Gas Company Ltd. and Miramar Hotel and Investment Company, Ltd. as well as a Director of Henderson China Holdings Ltd., The Hong Kong Ferry (Holdings) Company Ltd. and The Bank of East Asia, Limited.

KWOK Ping-kwong, Thomas

MSc (Bus Adm), BSc (Eng), FCPA, JP

Vice Chairman & Managing Director (Age: 50)

Mr. Kwok is Vice Chairman & Managing Director of Sun Hung Kai Properties Limited, and has been with the Group for 25 years. He is also Chairman of Route 3 (CPS) Company Limited, Joint Chairman of IFC Development Limited, an Executive Director of SUNeVision Holdings Limited and an Independent Non-Executive Director of The Bank of East Asia, Limited. Mr. Kwok holds a Master's degree in Business Administration from The London Business School, University of London and a Bachelor's degree in Civil Engineering from Imperial College, University of London.

He is Executive Vice President of The Real Estate Developers Association of Hong Kong, a Committee Member of the Land Sub-Committee and Planning Sub-Committee of the Land & Building Advisory Committee. He also serves as a government appointed Member of the Business Advisory Group and the Provisional Construction Industry Co-ordination Board.

DIRECTORS AND ORGANIZATION

In the past he has served as a Member of the Social Welfare Policies & Services Committee, the Land & Building Advisory Committee, the Registered Contractors' Disciplinary Board, the Council of The Open University of Hong Kong and the General Chamber of Commerce Industrial Affairs Committee. He was also Chairman of the Property Management Committee of the Building Contractors' Association, Council Member of the Hong Kong Construction Association and a Board Member of the Community Chest of Hong Kong. Mr. Kwok is an Honorary Citizen of Guangzhou and a Member of the Ninth Chinese People's Political Consultative Conference Shanghai Committee. Mr. Kwok is the younger brother of Mr. Kwok Ping-sheung, Walter and the elder brother of Mr. Kwok Ping-luen, Raymond.

KWOK Ping-luen, Raymond

MA (Cantab), MBA, Hon DBA

Vice Chairman & Managing Director (Age: 49)

Mr. Kwok has been with the Group for 24 years. He holds a Master of Arts degree in Law from Cambridge University, a Master's degree in Business Administration from Harvard University and an Honorary Doctorate degree in Business Administration from The Open University of Hong Kong. He is Chairman and Chief Executive Officer of SUNeVision Holdings Limited, Chairman of SmarTone Telecommunications Holdings Limited and a Director of The Kowloon Motor Bus Holdings Limited, Route 3 (CPS) Company Limited and Airport Freight Forwarding Centre Company Limited.

In civic activities, Mr. Kwok is a Non-Executive Director of the Securities and Futures Commission, a Director of The Real Estate Developers Association of Hong Kong, a Member of the General Committee of The Hong Kong General Chamber of Commerce, a Member of the Hong Kong Port and Maritime Board and Vice-Chairman of the Council of The Chinese University of Hong Kong. He is also a Member of the Advisory Council of One Country Two Systems Research Institute Limited and Chairman of the Management Committees of the Police Children's Education Trust and the Police Education and Welfare Trust. Mr. Kwok is also a Member of the Ninth Chinese People's Political Consultative Conference Beijing Committee, a Member of the President's Council on International Activities in Yale University and a Member of the Asia Advisory Board of Harvard Business School. Mr. Kwok is the younger brother of Mr. Kwok Ping-sheung, Walter and Mr. Kwok Ping-kwong, Thomas.

The Hon Sir Sze-yuen CHUNG

GBM, GBE, PhD, FREng, JP

Independent Non-Executive Director (Age: 84)

Sir Sze-yuen Chung is Chairman and Non-Executive Director of The Kowloon Motor Bus Holdings Limited. He is also Director of CLP Holdings Limited and Wheelock & Company Limited; and Pro-Chancellor of Hong Kong University of Science & Technology. He has contributed significantly in Hong Kong's political, industrial and tertiary education fields for over four decades. He was Senior Member of Hong Kong Legislative Council (1974-78), Executive Council (1980-88), and Convenor of HKSAR Executive Council (1997-99). He was Chairman of Federation of Hong Kong Industries (1966-70), and Hong Kong Productivity Council (1974-78); and President of Engineering Society of Hong Kong (1960-61) and Hong Kong Academy of Engineering Sciences (1994-97). He established Hong Kong Polytechnic in 1972, City Polytechnic in 1984, Hong Kong University of Science & Technology in 1991 and Hospital Authority in 1990. He was deeply involved in the Sino-British Negotiation on Hong Kong's future (1982-85) and the establishment of the Hong Kong Special Administrative Region (1994-97).

DIRECTORS AND ORGANIZATION

Sir Po-shing WOO

Hon.LLD., FCI Arb, F.I.Mgt., FlntSD

Independent Non-Executive Director (Age: 73)

Sir Po-shing Woo has been a Non-Executive Director of the Company since 1972. He is a solicitor and a consultant of Woo, Kwan, Lee & Lo, Solicitors & Notaries, a Director of Henderson Development Ltd., Henderson Land Development Company Ltd. and Henderson Investment Ltd. He was admitted to practise as solicitor in England and Hong Kong and is also a Fellow of The Hong Kong Management Association, The Chartered Institute of Arbitrators, The Institute of Management and The Institute of Directors of England. He was awarded an Hon.LLD. by The City University of Hong Kong and is a Fellow of King's College of London as well as Honorary Professor of Nankai University of Tianjin. He is also the Founder of the Woo Po Shing Medal in Law and the Woo Po Shing Overseas Summer School Travelling Scholarship, both at The University of Hong Kong, and the Woo Po Shing Professor (Chair) of Chinese and Comparative Law at City University.

Dr. FUNG Kwok-king, Victor

BSc, MSc, PhD

Independent Non-Executive Director (Age: 57)

Dr. Victor Fung was appointed as an Independent Non-Executive Directors in May 1999. Dr. Fung is Chairman of the Li & Fung Group, the Airport Authority and The Hong Kong University Council, a Non-Executive Director of BOC Hong Kong (Holdings) Ltd., PCCW Limited, Hysan Development Company Ltd., Kerry Properties Ltd., Orient Overseas (International) Ltd., Dao Heng Bank Group Ltd., DBS Kwong On Bank Ltd. and Anglogold Limited and Director of a number of other companies. He holds a Bachelor and a Master Degree from the Massachusetts Institute of Technology, a Doctorate from Harvard University.

KWAN Cheuk-yin, William

LLB

Independent Non-Executive Director (Age: 68)

Mr. William Kwan was appointed as an Independent Non-Executive Directors in July 1999. As a Senior Partner with the Solicitors firm of Woo, Kwan, Lee & Lo, Mr. Kwan has 40 years of experience in legal practice. He is a former Director and Advisor and currently a voting member of the Tung Wah Group of Hospitals, a past member of the Stamp Advisory Committee, Vice Chairman of the Hong Kong Scout Foundation, President of the Hong Kong Branch of the King's College London Association, President of the Hong Kong Philatelic Society, Vice Chairman of the Federation of Inter-Asia Philately, a permanent advisor of Wah Yan (Hong Kong) Past Students Association and an Honorary Legal Advisor of the Hong Kong Society for Reproductive Society.

Mr. Kwan was Commissioner General and Vice Chairman of the Organizing Committees of the Hong Kong '94, '97 and 2001 Stamp Exhibitions. He served on the Hong Kong Golf Club General Committee on several occasions in various capacities. He graduated from King's College, London University and is a Fellow of both King's College and the Institute of Arbitrators.

LO Chiu-chun, Clement*Non-Executive Director (Age: 72)*

Mr. Lo was an Executive Director of the Company and the Company Secretary of the Group for 28 years before he resigned from both positions in early 1998. Mr. Lo has been in the property development industry since 1960s.

DIRECTORS AND ORGANIZATION

LAW King-wan

Non-Executive Director (Age: 66)

Mr. Law was an Executive Director of the Company. He headed the Sales Department of the Group for 32 years before he retired at the end of September 2001. He is a Member of the Standing Committee of the Guangdong Provincial Committee of the Chinese People's Political Consultative Conference, a Standing Committee Member of the Chinese General Chamber of Commerce, Founding President of the Hong Kong Institute of Real Estate Administration and President of the Shun Tak Fraternal Association.

CHAN Kai-ming

CEng, FStructE, MICE

Executive Director (Age: 70)

Mr. Chan has been an Executive Director since 1981. Mr. Chan also served as an appointed Member of the District Board of Shatin for three years from 1985.

CHAN Kui-yuen, Thomas

B Comm

Executive Director (Age: 56)

Mr. Chan graduated from the United College, The Chinese University of Hong Kong. He joined the Group in 1973 and is now responsible for land acquisitions and project planning matters. Mr. Chan is also an Executive Director of SUNeVision Holdings Limited.

KWONG Chun

Executive Director (Age: 73)

Mr. Kwong graduated from the Zhong Nan Finance & Economics College of Wuhan in China. He worked for the Guangzhou office of the People's Bank of China before coming to Hong Kong in 1962 to work for Eternal Enterprises Ltd. He was transferred to Sun Hung Kai Enterprises Ltd. in 1963. In 1972, Sun Hung Kai Properties Ltd. became a listed company and he has worked for it ever since. He was appointed an Executive Director in 1992.

WONG Yick-kam, Michael

BBA, MBA

Executive Director (Age: 50)

Mr. Wong has been with the Group for 21 years. He obtained his Bachelor's and Master's degrees in Business Administration from The Chinese University of Hong Kong. He was appointed an Executive Director in 1996 and is currently responsible for the Group's strategic and corporate planning, infrastructure projects, financial investments, and relations with the investment community. Mr. Wong is also an Executive Director of SUNeVision Holdings Limited and a Non-Executive Director of RoadShow Holdings Limited, SmarTone Telecommunications Holdings Limited and USI Holdings Limited.

DIRECTORS AND ORGANIZATION

WONG Chik-wing, Mike

FHKIS, Registered Professional Surveyor (BS)

Executive Director (Age: 46)

Mr. Wong graduated from the Hong Kong Polytechnic with distinction. He is a Fellow of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor. He joined the Group in 1981 and was appointed an Executive Director in 1996. He is currently responsible for project management matters of the Group's development projects.

SO Hing-woh, Victor

MBA, FHKIS, FRICS, FHKIH, FCIH, RPHM, JP

Executive Director (Age: 56)

Mr. Victor So was appointed as an Executive Director of the Company on 2nd October 2002. Mr. So is in charge of the Group's property business in Shanghai and southern China.

Prior to joining the Group, Mr. So was the Executive Director of Hong Kong Housing Society, Property Director of MTR Corporation and had held senior positions in other private and public organizations. Mr. So also has experience in community services as Chairman of Housing Managers Registration Board, Member of Land & Building Advisory Committee, Council Member of Employers' Federation of Hong Kong and Co-opted Member to the Historical Buildings & Structures Committee of the Antiquities Advisory Board. He had also served as Member of the Long Term Housing Strategy Advisory Committee, Member of Hong Kong Housing Authority and Member of the Town Planning Board.

Mr. So holds a Master's degree in Business Administration from The Chinese University of Hong Kong. He is a Registered Professional Housing Manager, Fellow Member of the Royal Institution of Chartered Surveyors, Chartered Institute of Housing, Hong Kong Institute of Surveyors and Hong Kong Institute of Housing.

WOO Ka-biu, Jackson

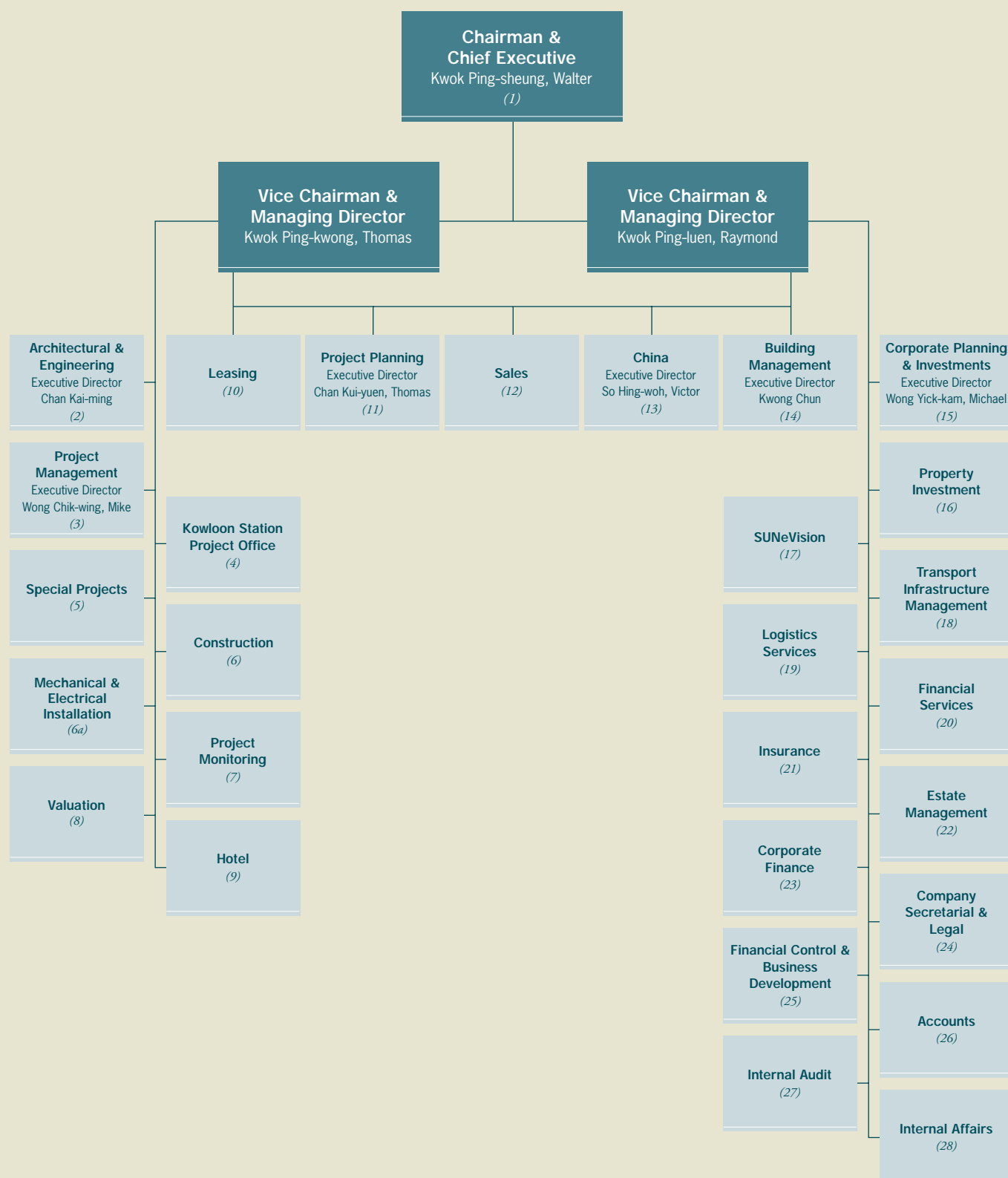
MA (Oxon)

Alternate Director to Sir Po-shing Woo (Age: 40)

Mr. Woo was appointed as an Alternate Director to Sir Po-shing Woo on 2nd October 2002. Mr. Woo is also a Director of N. M. Rothschild & Sons (Hong Kong) Limited. He holds a Master's degree in Jurisprudence from Oxford University and is qualified as a solicitor in Hong Kong, Australia, England and Wales. Mr. Woo was a partner in the corporate finance department of Woo, Kwan, Lee & Lo and is now a consultant to the firm. He is an Independent Non-Executive Director of Henderson Cyber Ltd. Mr. Woo is also an Alternate Director to Sir Po-shing Woo, an Independent Non-Executive Director of Henderson Land Development Company Ltd. and Henderson Land Investment Ltd. Mr. Woo is the son of Sir Po-shing Woo.

DIRECTORS AND ORGANIZATION

ORGANIZATION CHART AND SENIOR EXECUTIVES



DIRECTORS AND ORGANIZATION

(1) EXECUTIVE COMMITTEE

Kwok Ping-sheung, Walter
MSc(Lond), DIC, MICE, JP
Chairman and Chief Executive

Kwok Ping-kwong, Thomas
MSc(Bus Adm), BSc(Eng), FCPA, JP
Vice Chairman and Managing Director

Kwok Ping-luen, Raymond
MA(Cantab), MBA, Hon DBA
Vice Chairman and Managing Director

Chan Kai-ming
CEng, FIStructE, MICE
Executive Director (Architectural & Engineering)

Chan Kui-yuen, Thomas
B Comm
Executive Director (Project Planning)

Kwong Chun
Executive Director (Building Management)

Wong Yick-kam, Michael
BBA, MBA
Executive Director (Corporate Planning & Investments)

Wong Chik-wing, Mike
FHKIS, RPS(BS)
Authorized Person
Executive Director (Project Management)

So Hing-woh, Victor
MBA, FHKIS, FRICS, FHKIH, FCIH, RPHM, JP
Executive Director (China)

(1a) CHAIRMAN'S OFFICE

Yung Wing-chung
Corporate Advisor

Leung Kui-king, Donald
BSc
Assistant to Chairman

Au Shiu-tung, Patrick
FRICS, FHKIS, RPS
Authorized Person
Project Planning Advisor

Chien Yuan-hwei, George
BSc(Eng), MSc, DIC, CEng, PEng, FICE, MITE
Transportation Advisor

So Sing-tak, Andrew
BA, MBA
Special Assistant to Vice Chairman & Managing Director

(2) ARCHITECTURAL AND ENGINEERING

Chan Kai-ming
CEng, FIStructE, MICE
Executive Director

Sitt Nam-hoi
BA(Hons), BArch(Distinction), HKIA
Registered Architect
Authorized Person
Chief Architect

Yu Chung-yeung
CEng, FIStructE, FHKIE, MICE, RSE, RPE
Principal Engineer

Li Kwong-hing
BSc(Eng), MSc, DIC, CEng, MIMechE, MCIBSE, MHKIE
Chief Building Services Engineer

Ng Tze-kwan, Jeff
BArch, MAIBC, MRAIC, HKIA
Registered Architect
Authorized Person
Deputy Chief Architect

Yau Hin-chung, William
BA(AS)
Deputy Manager

Ng Chuek-ting
BSc(Eng)
Senior Structural Engineer

Li Chun-kou
BSc(Eng)
Consultant

Choi Siu-chuen
MHKIE
Deputy Chief Building Services Engineer

Leung Yuen-dick, Dick
BArch, MA Arbitration, HKIA
Registered Architect
Authorized Person
Senior Architect

Lau Kay-shui
MSc, CEng, MStructE, MHKIE, RPE, RSE
Senior Structural Engineer

Chiu Wai-kuen, Stephen
BSc(Eng)
Senior Structural Engineer

Chiu Tai-shing, Joseph
BASc
Senior Structural Engineer

Li Ka-wing
Assistant Manager

(3) PROJECT MANAGEMENT

Wong Chik-wing, Mike
FHKIS, RPS(BS)
Authorized Person
Executive Director

Tung Chi-ho, Eric
BA(AS)Hons, BArch, RIBA, HKIA
Registered Architect
Authorized Person
Manager

Tam Tin-fong, Martin
BArch, RIBA, FHKIA
Registered Architect
Authorized Person
Manager

Au Yeung Shiu-keung
BSc(Eng), CEng, FHKIE, FCIBSE, FIEE, FIEAust
Manager

Au Ho-cheung, David
BSc(Arch), MArch, HKIA
Registered Architect
Authorized Person
Deputy Manager

Chu Kwok-kit, Ringo
BA(AS), BArch, RIBA, HKIA, ARAIA
Registered Architect
Authorized Person
Deputy Manager

Lu Chee-yuen, Spencer
BEng, MEng, CEng, MStructE, MHKIE, RPE
Authorized Person
Deputy Manager

Wong Kim-wing, Ball
BA(AS), BArch, HKIA
Registered Architect
Authorized Person
Deputy Manager

Ng Chak-kin, Clarence
BA(AS), BArch, RIBA, HKIA, ARAIA
Registered Architect
Authorized Person
Assistant Manager

Woo Yan-fan, Stella
BA(AS), MArch, MBA, HKIA
Registered Architect
Authorized Person
Assistant Manager

Chiu Hon-hang, Elvin
BES, BEDS, BArch, RIBA, HKIA
Registered Architect
Authorized Person
Assistant Manager

Chan Hong-ki, Robert
BSc, MRICS, AHKIS, RPS(BS)
Authorized Person
Assistant Manager

DIRECTORS AND ORGANIZATION

Chui Ching-sai, Alex

BSc, MBA
Assistant Manager

Ip Pui-tung, Paul

BA(AS), BArch, HKIA, RIBA
Registered Architect
Authorized Person
Assistant Manager

Cheung Chin-hung

BEEng(Hons), CEng, MHKIE, MICE, MGSHK,
EUR.ING, RPE
Assistant Manager

**(4) KOWLOON STATION
PROJECT OFFICE****Chan Kai-ming**

CEng, FIStructE, MICE
Executive Director & Consultant

Wong Chik-wing, Mike

FKHIS, RPS(BS)
Authorized Person
Executive Director

Sitt Nam-hoi

BA(Hons), BArch(Distinction), HKIA
Registered Architect
Authorized Person
Project Director

Chu Kwok-kit, Ringo

BA(AS), BArch, RIBA, HKIA, ARAIA
Registered Architect
Authorized Person
Deputy Project Director

Cheung Kai-wah, Gabriel

MConstMgt, FHKIS, FRICS, FCIQB, MCI Arb,
MACostE, MHKICM, RPS(QS)
Senior Project Manager (Cost &
Contract)

Lau Man-kwan, Julia

BArch, HKIA
Registered Architect
Authorized Person
Project Manager (Architectural)

(5) SPECIAL PROJECTS**Chu Chung-kai, Samson**

BSc(Hons), MRICS, AHKIS
Manager

Chiu Ching-shi, Iris

B Comm
Deputy Manager (Leasing &
Management)

Lau Lai-ching, Elijah

Dip.BS(Mktg), MHIREA, MCIH, MHKIH
Deputy Manager (Leasing &
Management)

Pih Kam-shen, Philip

MHKIE, MASHRAE, MRSES, MHIREA,
MBSOMES, RPE
Deputy Manager (Building Services &
Maintenance)

(6) CONSTRUCTION**Wong Chik-wing, Mike**

FKHIS, RPS(BS)
Authorized Person
Executive Director

Chien Chung-kwong, Philip

BSc, MEng
Consultant

Kwok Leung Kit-kan, Ingrid

MSc(Bus Adm), BSc(Hons), CEng, MBCS,
MHKIE
Manager

Tsoi Siu-ho, Robert

BSc, MSc, FHKSA, ACMA, ARCS, DIC
Manager (Central Functions)

Lee Bing-shu

Manager (Construction Management)

Mo Kon-fei, Kenneth

MSc(Eng), MBA, CEng, MHKIE, MICE, RSE
Authorized Person
Deputy Manager (Construction
Management)

Lu Chee-yuen, Spencer

BEEng, MEng, CEng, MIStructE, MHKIE, RPE
Authorized Person
Deputy Manager (Construction
Management)

Chan Hon-ye

ACMA, AHKSA
Deputy Manager (Construction
Management)

Tsoi Yuk-man, Desmond

MA, FCIArb, MRICS, AHKIS, MCIQB
Deputy Manager (Construction
Management)

Hui Lin-sing, Roger

BSc(Eng), CEng, MICE, MIStructE, MHKIE,
RSE, RPE
Deputy Manager (Construction
Management)

Wong Leung Kit-wah, Linda

Deputy Manager (Purchasing)

Tung Siu-lun

BSc(Eng), CEng, MIEE
Deputy Manager

Lam Fuk-wing

BSc(Civil Eng)
Assistant Manager (Construction
Management)

Lee Kwok-wa, Chris

Assistant Manager (Construction
Management)

Cheung Kam-fan

Assistant Manager (Construction
Management)

Tse Kam-hon, Sidney

Consultant (Construction Management)

Ng Kwok-cheung, Barry

BSc(Hons)
Assistant Manager (Information
Technology)

Lau Wai-keung, Dennis

ARICS, AHKIS
Assistant Manager (Contract Subletting)

Chan Kin-wah, Jonathan

TechRICS
Assistant Manager (Contract
Subletting)

Lai Wai-ching, Phoebe

MSC, FCCA, AHKSA
Assistant Manager (Accounting)

Chan Ying-kuen, David

Assistant Manager (Accounting)

Fung Chi-on, Ricky

Assistant Manager (Purchasing)

Chan Wai-leung, Eric

MRICS, AHKIS, AAIQS
Assistant Manager (Contracts)

Loo Wing-lam, William

DMS, MIFPO, MHKISA, MIMgt, MIIRSM, CPM
Assistant Manager (Safety and Security)

Lai Siu-ki, Pele

MIHRM(HK)
Assistant Manager (Personnel &
Administration)

Mak Kwok-leung

BSc, CEng, MIMechE, MHKIE, RPE
Assistant Manager (Plant & Machinery)

**(6a) MECHANICAL AND
ELECTRICAL
INSTALLATION****Yu Yiu-wing**

Manager

Sin Hung-fai

Assistant Manager (Fire Services)

Ng Chung-ming

Assistant Manager (Fire Services)

Chan Chor-tat, Gilbert

Assistant Manager (Fire Services)

Tam Ping-ip

DMS, MIEEE
Assistant Manager (Electrical Services)

Pang Ki-kai

AIIM
Assistant Manager (Electrical Services)

Lam Chung-mo, Moses

BEEng(Hons), CEng, MIEE, MHKIE, RPE
Assistant Manager (Electrical Services)

DIRECTORS AND ORGANIZATION

(7) PROJECT MONITORING

Luk Wang-kwong, John
BSc(Eng), LLB, MSc(Eng), MBA, PDCE, PhD,
CEng, FICE, FStructE, FHKIE, FCIArb
Project Advisor

Wong Wai-tung
FHKIE, FCIOB, MCI Arb, RPE
Deputy Manager

Tsang Wai-keung, Savio
MBA, MCI OB, MCI Arb, MASI
Assistant Manager

(8) VALUATION

Fung Chu-hee, Andrew
MRICS, AHKIS, RPS
*Chartered Valuation Surveyor
Manager*

Siu Man-wai
BSc(Hons), MRICS, AHKIS, RPS
*Chartered Valuation Surveyor
Deputy Manager*

(9) HOTEL

Rudolf Greiner
President, Hotel Division

- a. **Royal Garden Hotels
International Corporation**
Chow Yum-chong, Francis
FCCA, FHKSA
Vice President (Finance)

The Royal Garden

Chan Tin-yau, Keven
CHSP
General Manager

Cheung Kin-man, Ricky
B Comm, CPA (Aust), AHKSA
Financial Controller

Chow Kwok-ming, Nelson
BBA
Executive Assistant Manager

- b. **New Town Management
Company Limited**
Wong Hoi-jen, Rebecca
Vice President (Operations & Planning)
Royal Park Hotel
Wong Hoi-jen, Rebecca
General Manager
Tang Cheuk-wai, Willy
*Executive Assistant Manager
(Marketing)*
Tam Kam-ming, Andrew
Financial Controller

Royal Plaza Hotel

Wong Hoi-jen, Rebecca
General Manager

Kwok Kam-moon, Sunny
*Executive Assistant Manager
(Operation)*

Lee Chi-keung, Marvey
Financial Controller

(10) LEASING

- a. **Chan Kai-ming**
CEng, FStructE, MICE
Executive Director
Wu Po-ong, Lawrence
BA(Hons)
Manager
Yeung Siu-mei, Joanna
Deputy Manager
Lam Ka-keung, Henry
BSc(Hons), MSc (Const & Real Est)
Assistant Manager
- b. **Kwong Chun**
Executive Director
- c. **Jonathan Petit**
Manager
- d. **Au Yeung Hau-cheong**
Manager
- e. **Chu Chung-kai, Samson**
BSc(Hons), MRICS, AHKIS
Manager

(11) PROJECT PLANNING

Chan Kui-yuen, Thomas
B Comm
Executive Director

Roger Nissim
FRICS, FHKIS, FCIArb, RPS
Manager

Au Yeung Hau-cheong
Manager

Lui Wai-tat, Andy
Manager

Yiu Wai-ha, Connie
MRICS, AHKIS, RPS
Deputy Manager

Law Yee-wah, Alice
BEc
Deputy Manager

Lam Kam-wing, Stafen
MCIM, MSc
Assistant Manager

(12) SALES

Chow Kwok-yin, Eric
Manager

Yim Dao-kit
Deputy Manager

Kong Kit
Deputy Manager

Lam Po-tung, Josephine
BA
Deputy Manager

(13) CHINA

So Hing-woh, Victor
MBA, FHKIS, FRICS, FHKIH, FCIH, RPHM, JP
Executive Director

Chan Kui-yuen, Thomas
B Comm
Executive Director

Kwong Chun
Executive Director

Tam Tin-fong, Martin
BArch, RIBA, FHKIA
*Registered Architect
Authorized Person
Manager (Design and Construction)*

Leung Yu-kai, David
FCCA, FHKSA
Manager (Finance and Administration)

O Nam-yuen
Deputy Manager

Chau Sai-yim, Stephen
Deputy Manager

Fok Yau-kit
FCEA, DMS, MBIM
Assistant Manager

(14) BUILDING MANAGEMENT

Kwong Chun
Executive Director

Mok Chi-hung
FCIH, FHKIH, MHIREA, RPHM
Manager

Kwong Ching-wai, Alkin
BSc(Eng), PgDIT, MStructE, MHKIE, RPE, RSE
*Authorized Person
Manager*

Lam Chak-hin, Ivan
SSCE, Foreign Assoc. ASLA
Deputy Manager (Hong Chui)

Kwok Chan-fai
MCIH, MHKIH, RPHM
Deputy Manager (Hong Yip)

DIRECTORS AND ORGANIZATION

Wong Kei-on

BA, MHKI, MCIH, RPHM
Deputy Manager (Hong Yip)

Yau Man-fat, Kelvin

BSc(Hons), MHousMan, RPHM, MHKI, MCIH, MIFMA, MIMgt
Assistant Manager (Hong Yip)

Chan Wah-kay

B Comm
Assistant Manager (Personnel)

Lee Tze-leung, Adrian

BBA, MBA, FCCA, AHKSA
Assistant Manager (Accounting)

Leung Nai-yin, Arthur

BBus, FCCA, FHKSA, ACIB, AHKIB, CGA, CPA(Aust)
Assistant Manager (Internal Audit)

Ho Yun-kuen, John

MRICS, AHKIS, PQS, F.PFM
Assistant Manager (Contracts)

Chau Chung-yiu, Dominic

MBA, MRICS, AHKIS
Authorized Person
Assistant Manager (Technical)

Chan Cheng-san, Sam

B Comm
Assistant Manager (Nixon & Nicole)

Kwan Yu-kuen, Ricky

Assistant Manager (SHK Real Estate Management)

(15) CORPORATE PLANNING AND INVESTMENTS**Wong Yick-kam, Michael**

BBA, MBA
Executive Director

Ma Sau-hon, Chris

BSc, MSc, MBA, DIC, CEng, MISE, FHKIE, FICE, RPE
Manager (Project)

Lau Mei-mui, May

Manager (Corporate Communications)

Wong Pak-ho, Lawrence

BEng, MBA, CEng, CDipAF, PEng(S'pore), MICE, MCILT, FHKIE
Manager (Infrastructure)

Lau Shung-oi, Susanna

BA, ACA
Manager (Corporate Planning)

Hong Pak-cheung, William

BSc
Manager (Investments)

Mak Nak-keung

BSoc.Sc., MPhil
Deputy Manager (Economic Research)

Robert G Ramsay

BA(Hons), PhD
Assistant Manager

Cheong Suk-ying, Linda

BSoc.Sc., MBA
Assistant Manager

Tse Man-kuen, Winnie

Assistant Manager

Poon Chun-wing, Johnny

BSoc.Sc., MBA, CFA, ACCA
Assistant Manager

Sung Lai-ha, Louisa

BEc, MTax
Assistant Manager

(16) PROPERTY INVESTMENT**Lui Ting, Victor**

BBA
Manager

Chan Sau-yin, Anita Teresa

MRICS, AHKIS, RPS
Deputy Manager

Ng Kwok-keung

BSc
Assistant Manager

(17) SUNEVISION**SUNeVision Holdings Limited****Yen Shiao-hua, Sheridan**

BSc(Eng)
Managing Director

(18) TRANSPORT**INFRASTRUCTURE MANAGEMENT****Wilson Group****Sham Yat-wah, Samuel**

Managing Director

Luk Kam-hon, Gary

Director of Tollways

Wong Tze-kin

Director of Parking

Fong Ping, Vincent

Director of Transport Technologies

Wu Tung-chai, Peter

Director of Equipment & Services

Wong Yuk-lan, Nancy

Director of Finance & Administration

Cheng Siu-hung, Paul

General Manager
Autotoll Limited

(19) LOGISTICS SERVICES**Yu Ngai-cheung, Almon**

BBA
Chief Executive Officer
Sun Hung Kai Super Logistics

Wong Pak-ho, Lawrence

BEng, MBA, CEng, CDipAF, PEng (S'pore), MICE, MCILT, FHKIE
Managing Director
SHK Logistics - China

Leung Lai-chi, Michelle

MMgt, MIHRM
Director
SHK Super Logistics Management

Yiu Kwong-yick, Christopher

BA
Commercial Director
SHK Super Logistics Management

Cheang lat-meng, Simon

BBA
Chief Technology Officer
SHK Super Logistics Management

Lau Hin-yiu, Frankie

ED-TLM
Chief Logistics Officer
SHK Super Logistics Management

(20) FINANCIAL SERVICES**Au Mo-cheung, Alex**

Manager

Chan Kwok-yan, Vincent

BA
Deputy Manager

Chung Wah-sang, Welson

MA, ACIS, MHKSI
Deputy Manager

Chan Pang-chi

Assistant Manager

(21) INSURANCE**Chow Ka-yin**

Manager

Wong Kwai-chuen, Andrew

BBA, ACII
Deputy Manager

Ng Man-tong, Anthony

ACII, AIIIC
Deputy Manager

Yim Ka-yan, Amy

AAll
Deputy Manager

DIRECTORS AND ORGANIZATION

(22) ESTATE MANAGEMENT

Wong Chin-wah, Jimmy
BSc (Est Mgt) Cert Ed, MSISV, AHKIS,
MAPFM, FHIREA, RPS, PHM
Manager

Chan Kam-fai
MCIH
Deputy Manager

Lam Man-pak, Patrick
BA(Hons), MCIH
Deputy Manager

Leung Chung-kong, Johnny
Deputy Manager

Lee Cheung-yiu, Gordon
BSc(Hons), MRICS, MCIQB, AHKIS, MCIARB,
RPS
Deputy Manager

Mak Hung-cheung, James
Deputy Manager

Fung Sau-yim, Maureen
BSc(Hons) Est. Mgt., MHousMan(Distinction),
MBA, FIIM, MHIREA
Deputy Manager

Sham Sik-shing, Simon
BTech(Hons), MCIH
Assistant Manager

Chan Shing-wai
Dip.BA, MCIH
Assistant Manager

Hon Shuk-ching, Irene
Assistant Manager

Shiu Wai-ching, Teresa
Assistant Manager

Leung Yiu-wah, Philip
BSc(Hons), MBA, MRICS, AHKIS, RPS
Assistant Manager

(23) CORPORATE FINANCE

Au Man-to
LLB, FCIS, ACIB
Manager

Kwok Yue-yee, Amy
B Comm
Deputy Manager

Ho Ka-wai, Josephine
MBA
Assistant Manager

**(24) COMPANY SECRETARIAL
AND LEGAL**

Lai Ho-kai, Ernest
FCIS
Company Secretary

Tam Sai-ming, William
LLM, MSc, MBA, FCIS, MHKSI
Manager

Yung Sheung-tat, Sandy
BA(Law)Hons
Manager

Kwok, Helen
LLB(London)Hons
Legal Advisor

Tse Kar-lun, Frankie
LLB(Hons)
Assistant Manager

Yeung Ming-yip, Jason
LLB(Hons)
Assistant Manager

Wong Chiu-lun, Christopher
B Comm, LLB
Assistant Manager

Lai Man-shek
BA(Law)Hons
Assistant Manager

**(25) FINANCIAL CONTROL AND
BUSINESS DEVELOPMENT**

Wong Hok-leung
BSc, FCCA
Manager

Fok Yat-cheong, Edward
MSc(Eng)
Deputy Manager (EDP)

Cheung Wai-wah
BBA
Assistant Manager (EDP)

Leung Cheuk-ming, Eric
MSc
Assistant Manager (EDP)

Li Loi-suet, Bonnie
BBA
Assistant Manager (Financial Control)

So Wai-kei, Godwin
BA, ACIB, AHKIB, ACIS, AHKICS
Assistant Manager (Financial Control)

(26) ACCOUNTS

Pun Wing-mou, Bernard
FCA, FHKSA
Chief Accountant

Zhou Yimin, Andrew
MBA, CMgr
Manager

Li Ching-kam, Frederick
FCCA, AHKSA
Deputy Chief Accountant

Lee Hung-chak, Maurice
BBA(Hons), FCCA, AHKSA
Deputy Manager

Chow Cheuk-wing, Eric
FCCA, FHKSA
Senior Accountant

Ko Ping-yin, Albert
Chief Cashier

Yuen Chork, Charles
Assistant Manager

Cheng Chung-ho, Jeremy
BSc(Hons), CPE(English law), LLB(PRC law),
MEd, PCE, PCLL
Assistant Manager

Wong Kai-kwong, Patrick
BES, MBA, CMA
Assistant Manager

(27) INTERNAL AUDIT

Chiu Yue-ming, Daniel
MAcc, FCCA, FHKSA, FCIS, ACMA, FCPA
Manager

Ho Kui-yuen, Kenneth
BSoc.Sc, MBA, DTM
Deputy Manager (Training)

Wong Chung-wai, Barry
BA(Hons), MBA, FCCA, AHKSA
Deputy Manager (Audit)

Hui Sui-tak, Andrew
MBA, FCCA, AHKSA
Assistant Manager (Audit)

(28) INTERNAL AFFAIRS

Wu Tze-cheung, Philip
BA(Hons), FCCA, FHKSA, MIHRM(HK)
Manager

Ho Lick-tin
Deputy Manager

Chan Choi-yin, Clara
MIHRM(HK)
*Deputy Manager (Human Resources
Management)*

Tang Chak-hin
BBA, MBA
*Deputy Manager (Human Resources &
Administration)*

Leung Lai-chi, Michelle
MMgt, MIHRM(HK)
*Deputy Manager (Human Resources
Planning & Development)*

Wong Ho-keung, Jimmy
Assistant Manager

Fung Yick-lam, Cris
Assistant Manager

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REPORT OF THE AUDITORS

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

**Deloitte
Touche
Tohmatsu**

TO THE SHAREHOLDERS OF SUN HUNG KAI PROPERTIES LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 102 to 140 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30th June 2002 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

26th September 2002

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 30th June 2002 (Expressed in millions of Hong Kong dollars)

	Note	2002	2001
Turnover	2(i)(a)	25,373	17,701
Cost of sales		(15,647)	(8,440)
Gross profit		9,726	9,261
Other revenue		394	547
Selling and marketing expenses		(447)	(366)
Administrative expenses		(1,058)	(1,113)
Profit from operations	2(i)(a)	8,615	8,329
Finance cost		(652)	(1,622)
Finance income		86	464
Net finance cost	3	(566)	(1,158)
Profit on disposal of investments		48	445
Provision for impairment of investments	4	(356)	–
Restructuring costs	4	(131)	–
Share of profits less losses of associates		1,136	573
Share of profits less losses of jointly controlled entities		581	1,009
	2(i)(b)	1,717	1,582
Profit before taxation	5	9,327	9,198
Taxation	8	(872)	(858)
Profit after taxation		8,455	8,340
Minority interests		64	(10)
Profit attributable to shareholders	9	8,519	8,330
Dividends	10		
Interim dividend paid		1,321	1,321
Final dividend proposed		2,401	2,401
Special cash dividend proposed		1,441	–
		5,163	3,722
(Expressed in Hong Kong dollars)			
Earnings per share	11		
Basic		\$3.55	\$3.47
Diluted		N/A	\$3.47

CONSOLIDATED BALANCE SHEET

As at 30th June 2002 (Expressed in millions of Hong Kong dollars)

	Note	2002	2001
Non-current assets			
Fixed assets	12	90,989	94,698
Associates	14	5,106	5,043
Jointly controlled entities	15	19,846	20,029
Investments	16	3,189	2,192
Loans receivable		1,472	1,522
Land pending development		13,257	17,324
		133,859	140,808
Current assets			
Stocks	17	25,200	25,334
Trade and other receivables	18	6,298	3,340
Marketable securities	19	364	399
Bank balances and deposits	20	8,272	9,061
		40,134	38,134
Current liabilities			
Bank and other borrowings	21	(3,828)	(4,997)
Trade and other payables	22	(8,272)	(9,345)
Deposits received on sale of properties		(4,500)	(8,013)
Taxation		(2,718)	(2,574)
		(19,318)	(24,929)
Net current assets		20,816	13,205
Total assets less current liabilities		154,675	154,013
Non-current liabilities			
Bank and other borrowings	23	(24,501)	(23,995)
Minority interests	24	(1,576)	(1,610)
NET ASSETS		128,598	128,408
CAPITAL AND RESERVES			
Share capital	25	1,201	1,201
Share premium and reserves	27	123,555	124,806
Proposed final dividend		2,401	2,401
Proposed special cash dividend		1,441	–
SHAREHOLDERS' FUNDS		128,598	128,408

Directors:

Walter P.S. Kwok

Raymond P.L. Kwok

PARENT COMPANY BALANCE SHEET

As at 30th June 2002 (Expressed in millions of Hong Kong dollars)

	Note	2002	2001
Non-current assets			
Subsidiaries	13	30,076	30,076
Jointly controlled entities	15	7	(64)
Investments	16	(2)	(3)
		30,081	30,009
Current assets			
Trade and other receivables	18	142	240
Amounts due from subsidiaries less provision		92,462	84,054
Bank balances	20	21	–
		92,625	84,294
Current liabilities			
Bank and other borrowings	21	–	(11)
Trade and other payables	22	(244)	(214)
Amounts due to subsidiaries		(37,204)	(31,817)
		(37,448)	(32,042)
Net current assets		55,177	52,252
NET ASSETS		85,258	82,261
CAPITAL AND RESERVES			
Share capital	25	1,201	1,201
Share premium and reserves	27	80,215	78,659
Proposed final dividend		2,401	2,401
Proposed special cash dividend		1,441	–
SHAREHOLDERS' FUNDS		85,258	82,261

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30th June 2002 (Expressed in millions of Hong Kong dollars)

	Note	2002	2001
Net cash inflow from operating activities	28a	7,720	12,183
Returns on investments and servicing of finance			
Interest received		247	518
Interest paid		(1,009)	(2,413)
Dividends received from listed investments		22	74
Dividends received from unlisted investments		41	3
Dividends received from associates and jointly controlled entities		1,159	369
Dividends paid to shareholders		(3,722)	(4,202)
Dividends paid to minority shareholders		(18)	(48)
Net cash outflow from returns on investments and servicing of finance		(3,280)	(5,699)
Taxation			
Hong Kong profits tax paid		(538)	(650)
Investing activities			
Purchase of subsidiaries	28b	9	(58)
Purchase of additional interest in subsidiaries		(7)	(80)
Purchase of associates		(44)	(147)
Purchase of jointly controlled entities		–	(19)
Purchase of investments		(2,024)	(1,019)
Net advances to associates, jointly controlled entities and investee companies		(422)	(221)
Acquisition of land pending development		(2,089)	(1,844)
Additions to fixed assets		(730)	(5,839)
Proceeds from disposal of investment properties		162	361
Proceeds from disposal of associates and jointly controlled entities		165	–
Proceeds from disposal of investments		729	1,303
Proceeds from disposal of other fixed assets		136	10
Loans and advances repaid		38	375
Net cash outflow from investing activities		(4,077)	(7,178)
Net cash outflow before financing		(175)	(1,344)
Financing			
Bank and other borrowings		11,262	14,255
Repayment of bank and other borrowings		(11,914)	(14,109)
Payment on repurchase of shares in a subsidiary		(8)	–
Capital injection by minority shareholders of a subsidiary		–	7
Fundings from/(to) minority shareholders		57	(155)
Net cash outflow from financing	28c	(603)	(2)
Decrease in cash and cash equivalents		(778)	(1,346)
Cash and cash equivalents at beginning of year		9,008	10,354
Cash and cash equivalents at end of year	28d	8,230	9,008

CONSOLIDATED STATEMENT OF RECOGNIZED GAINS AND LOSSES

For the year ended 30th June 2002 (Expressed in millions of Hong Kong dollars)

	Note	2002	2001
Increase/(Decrease) in property valuation arising during the year	27	(4,602)	805
Exchange differences on translation of the financial statements of foreign entities	27	–	11
Net gains/(losses) not recognized in the consolidated profit and loss account		(4,602)	816
Profit attributable to shareholders for the year		8,519	8,330
Realized surplus on disposal of investment properties transferred to operating profits	27	(72)	(278)
Total recognized gains		3,845	8,868
Net goodwill arising on consolidation	27	–	(43)
Goodwill adjustments	27	67	–
		3,912	8,825

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

a. Basis of Preparation

The financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, generally accepted accounting principles in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The financial statements are prepared under the historical cost convention as modified for the revaluation of certain properties and investments in securities.

b. Basis of Consolidation

The consolidated financial statements of the Group incorporate the financial statements of the Company and all its subsidiaries made up to 30th June each year and include the Group's interests in associates and jointly controlled entities on the basis set out in note 1(f) and note 1(g) below respectively. The financial statements of the associates and jointly controlled entities used for this purpose are either co-terminus with the financial statements of the Company or cover a year ended not more than six months before the Company's year-end. The results of subsidiaries, associates and jointly controlled entities acquired or disposed of during the year are included in the consolidated profit and loss account from the effective dates of acquisition or to the effective dates of disposal. All material intra-group transactions and balances are eliminated on consolidation.

The Group has adopted the accounting policy for goodwill in accordance with Statement of Standard Accounting Practice (SSAP) 30, "Business Combination" issued by the Hong Kong Society of Accountants. Goodwill arising on acquisition of subsidiaries, associates and jointly controlled entities after 1st July 2001 is recognized as an asset in the balance sheet and amortised to the profit and loss account on a straight line basis over its estimated useful life. Negative goodwill arising on acquisitions after 1st July 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted. Upon disposal of a subsidiary, an associate or a jointly controlled entity, the attributable amount of purchased goodwill not previously amortised through the profit and loss account is included in the calculation of the profit and loss on disposal.

In prior years, goodwill was taken to reserves in the year it arose. With the transitional provisions in SSAP 30, the Group has elected not to restate goodwill or negative goodwill previously eliminated against or credited to reserves. However, any impairment arising on such goodwill is recognized in the profit and loss account in accordance with the newly issued SSAP 31 "Impairment of Assets". This change in accounting policy has no significant impact on the financial statements. Goodwill previously charged to reserves and not yet recognized in the profit and loss account is insignificant.

Minority interests in the consolidated profit and loss account and balance sheet represents the interests of third parties outside the Group in the results and net assets of subsidiaries.

c. Turnover

Turnover derived from the Group's principal activities comprises proceeds from sale of properties (excluding proceeds on development properties sold prior to their completion which are included in deposits received on sale of properties under current liabilities), gross rental income from property letting under operating leases, revenue from hotel operations and revenue derived from other business activities including property management, car parking and transport infrastructure management, logistics business, construction, financial services, internet infrastructure and enabling services. It does not include the turnover of associates and jointly controlled entities.

NOTES TO THE FINANCIAL STATEMENTS

1. Principal Accounting Policies (Cont'd)**d. Revenue Recognition**

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group which will result in increases in equity and these benefits can be measured reliably, on the following basis:

(i) Property Sales

Revenue and profit from sale of completed properties is recognized upon execution of the sale agreements.

When a development property is sold in advance of completion, revenue and profit is only recognized upon completion of the development. Deposits and instalments received from purchasers prior to this stage are included in current liabilities.

Where properties are sold under deferred terms with part of the sales proceeds being receivable after an interest-free period, that portions of the differences between the sale prices with and without such terms representing finance income are allocated to the profit and loss account on a basis that takes into account the effective yields on the amounts of the sales proceeds receivable over the interest-free period.

(ii) Rental Income

Rental income from properties letting under operating leases is recognized on straight line basis over the lease terms.

(iii) Hotel Operation

Revenue from hotel operation is recognized upon provision of services.

(iv) Interest Income

Interest income is accrued on a time proportion basis that takes into account the effective yields on the carrying amount of assets.

(v) Construction

Revenue in respect of building construction job is recognized on the percentage of completion method measured by reference to the proportion that costs incurred to date bear to estimated total costs for the contract.

(vi) Investment Income

Income from securities and other investments is recognized when the right to receive payment is established.

(vii) Use of Internet Services Centre Facilities

Revenue from customer use of internet services centre facilities is recognized ratably over the term of the agreement.

(viii) Other Income

Property management service fee, car parking management fee, insurance income and stock brokerage are recognized when the services are rendered.

1. Principal Accounting Policies (Cont'd)

e. Subsidiaries

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors. Investments in subsidiaries are carried in the balance sheet of the Company at cost less provision for impairment in value.

f. Associates

Associates are those in which the Group is in a position to exercise significant influence, but not control or joint control, over the management, including participation in the financial and operating policy decisions.

Results of associates are incorporated in the consolidated profit and loss account to the extent of the Group's share of post-acquisition profits less losses whereas accounted for in the profit and loss account of the Company only to the extent of dividend income.

Interests in associates are accounted for in the consolidated balance sheet under the equity method and are initially recorded at cost and adjusted for goodwill arising on consolidation at date of acquisition and thereafter for post-acquisition changes in the Group's share of their net assets whereas in the balance sheet of the Company are stated at cost less provision for impairment in value.

g. Joint Ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and over which none of the parties has unilateral control.

(i) Jointly Controlled Entities

Jointly controlled entities involve the establishment of a separate entity in which the Group has a long-term interest and over which the Group is in a position to exercise joint control with other venturers in accordance with contractual arrangements.

Results of jointly controlled entities are incorporated in the consolidated profit and loss account to the extent of the Group's share of post-acquisition profits less losses whereas accounted for in the profit and loss account of the Company only to the extent of dividend income.

Interests in jointly controlled entities are accounted for in the consolidated balance sheet under the equity method and are initially recorded at cost and adjusted for goodwill arising on consolidation at date of acquisition and thereafter for post-acquisition changes in the Group's share of their net assets whereas in the balance sheet of the Company are stated at cost less provision for impairment in value.

(ii) Jointly Controlled Assets

Jointly controlled assets are assets of a joint venture over which the Group has joint control with other venturers in accordance with contractual arrangements and through the joint control of which the Group has control over its share of future economic benefits earned from the assets.

NOTES TO THE FINANCIAL STATEMENTS

1. Principal Accounting Policies (Cont'd)**g. Joint Ventures (Cont'd)***(ii) Jointly Controlled Assets (Cont'd)*

The Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognized in the balance sheets and classified according to their nature. Liabilities and expenses incurred directly in respect of its interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of the jointly controlled assets, together with its share of any expenses incurred by the joint ventures, are recognized in the profit and loss account when it is probable that the economic benefits associated with the transactions will flow to or from the Group.

h. Investments in Securities*(i) Investments*

Investments in debt and equity securities held for an identified long-term or strategic purpose are stated at cost less provision for impairment in value. Results of investments are accounted for to the extent of dividend and interest income.

Investments in debt securities which are intended to be held to maturity are measured at amortized cost, less any impairment losses recognized, if necessary, in the balance sheet. The amortization of any discount or premium arising on acquisition is aggregated with other investment income receivable over the period from the dates of acquisition to the dates of maturity so as to give a constant yield on the investment.

(ii) Marketable Securities

Marketable securities, which are that part of liquid assets temporarily invested in debt and equity securities, are stated at fair value, with unrealized gains and losses included in net profit or loss for the year.

i. Properties*(i) Land Pending Development*

Land pending development, which is stated at cost less provision for impairment in value made by the executive directors, embraces all land acquired pending any definite intention whether to develop it for long-term retention or for sale. When the intention is clear and action initiated, land to be developed for long-term retention is reclassified as fixed assets whereas land to be developed for sale and expected to be realized in the normal course of the Group's property development cycle is reclassified as stocks under current assets.

(ii) Investment Properties

Investment properties are completed properties which are income producing and held for their investment potential on a long-term basis. Investment properties are included in fixed assets at open market value on the basis of an annual professional valuation related to properties on the basis that increases in valuations are credited to the investment property revaluation reserve and decreases in valuations are first set off against increases on earlier valuations on a portfolio basis and thereafter charged to the profit and loss account. Upon disposal of an investment property, the revaluation surplus or deficit realized is transferred to profit and loss account in calculating the profit or loss on disposal.

1. Principal Accounting Policies (Cont'd)

i. Properties (Cont'd)

(iii) Hotel Properties

Hotel properties and their integral fixed plant used in the operation of hotel are included in fixed assets at open market value on the basis of an annual professional valuation related to individual hotel properties.

(iv) Properties Under Development

Properties under development for long-term retention are classified under fixed assets and are stated at cost less provision for impairment in value. These properties are reclassified as investment properties or other properties as the case may be upon completion of the development.

Properties under development for sale are included in stocks at the lower of cost and net realizable value. Net realizable value takes into account the price ultimately expected to be realized and the anticipated costs to completion.

Cost of property in the course of development comprises land cost and development costs during the development period.

(v) Stocks of Completed Properties

Completed properties remaining unsold at year end are stated at the lower of cost and net realizable value.

Cost is determined by apportionment of the total land and development costs attributable to the unsold properties.

Net realizable value is determined by reference to sale proceeds of properties sold in the ordinary course of business less all estimated selling expenses after the balance sheet date, or by management estimates based on prevailing market conditions.

(vi) Other Properties

Other properties are properties held for production or administrative purposes and are included in fixed assets at cost less accumulated depreciation and impairment loss, if any.

j. Depreciation

(i) Investment Properties

No depreciation is provided on investment property except where the unexpired term of the lease of the investment property is twenty years or less, in which case the then carrying amount is amortized on a straight line basis over the remaining unexpired term of the lease.

NOTES TO THE FINANCIAL STATEMENTS

1. Principal Accounting Policies (Cont'd)**j. Depreciation (Cont'd)***(ii) Hotel Properties*

No depreciation is provided on hotel property or on its integral fixed plant. It is the Group's policy to maintain these assets in a continual state of sound repair and maintenance and to extend and make improvements thereto from time to time, and accordingly the directors consider that given the estimated lives of these assets and their high residual values, any depreciation would be insignificant. The related repair and maintenance expenditure is charged to the profit and loss account in the year in which they are incurred. The costs of significant improvements are capitalized.

(iii) Properties Under Development

No depreciation is provided on properties under development.

(iv) Other Properties

The cost of leasehold land and construction cost of buildings thereon are depreciated on a straight line basis over the term of the lease.

(v) Other Fixed Assets

Other fixed assets including equipment, furniture, fixtures and vehicles are stated at cost less depreciation calculated on a straight line method to write off the assets over their estimated useful lives at rates ranging from 10 per cent to 33.3 per cent per annum.

k. Capitalization of Borrowing Costs

Borrowing costs are expensed as incurred, except to the extent that they are capitalized as being directly attributable to the construction or production of assets which necessarily take a substantial period of time to get ready for their intended use or sale. Capitalization of such borrowing costs begins when construction or production activities commence and ceases when the assets are substantially ready for their intended use or sale.

l. Materials

Materials comprising mainly building materials and hotel stocks are valued at cost, calculated on a weighted average cost basis, less provisions, if any.

m. Translation of Foreign Currencies

Foreign currency transactions during the year are converted into Hong Kong dollars at the market rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies and financial statements of overseas subsidiaries, associates and jointly controlled entities expressed in foreign currencies are translated into Hong Kong dollars at the market rates of exchange ruling at the date of the balance sheet. Exchange differences arising from the translation of the financial statements of overseas subsidiaries, associates and jointly controlled entities are taken directly to reserves. All other exchange differences are dealt with in the profit and loss account.

1. Principal Accounting Policies (Cont'd)

n. Deferred Taxation

Deferred taxation is provided, using the liability method, on all material timing differences other than those which are not expected to crystallize in the foreseeable future. Deferred tax asset is not recognized unless its realization is certain.

o. Dividends

In accordance with SSAP 9 (Revised) "Events after the Balance Sheet Date", dividends proposed or declared after the balance sheet dates are not recognized as liabilities at the balance sheet dates, but are disclosed as separate components of equity on the balance sheet. This change in accounting policy has been applied retrospectively, resulting in an increase in the shareholders' funds as at 1st July 2001 by HK\$2,401 million and 1st July 2000 by HK\$2,881 million, representing the proposed final dividend for the year ended 30th June 2001 and 2000 respectively.

p. Segment Reporting

The Group has disclosed segment revenue and results as defined under SSAP 26 "Segment Reporting". In accordance with the Group's internal financial reporting, the Group has determined that business segments be represented as the primary reporting format. Comparative figures of segment disclosures have been changed to conform with the current year's presentation.

q. Financial Instruments and Derivatives

Interest rate and currency swaps are used to manage the Group's exposure to interest rate and foreign exchange rate fluctuation. It is the Group's policy not to enter into derivative transactions for speculative purposes. The notional amounts of interest rate and currency swaps are recorded off balance sheet. Interest flows arising on the interest rate swaps are accounted for on an accrual basis.

r. Retirement Benefits

The retirement benefit costs charged to the profit and loss account represent the contributions payable in respect of the current year to the Group's defined contribution schemes and Mandatory Provident Fund Schemes.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Hong Kong dollars)

2. SEGMENT INFORMATION**(i) Segment Results***(a) The Company and its subsidiaries*

The Group's turnover and contribution to profit from operations before finance cost by business segments are analysed as follows:

	Turnover		Profit from Operations before Finance Cost	
	2002	2001	2002	2001
Property				
Property sales	16,164	8,218	4,044	3,625
Rental income	5,336	5,392	4,087	4,073
	21,500	13,610	8,131	7,698
Hotel operation	561	590	189	195
Other business activities	3,312	3,501	398	374
	25,373	17,701	8,718	8,267
Other revenue			394	547
Unallocated administrative expenses			(497)	(485)
Profit from operations			8,615	8,329

Other business activities comprise revenue and profit derived from other activities including property management, car parking and transport infrastructure management, logistics business, construction, financial services, internet infrastructure and enabling services.

Less than 10 per cent of the operations of the Group in terms of turnover and operating results were carried on outside Hong Kong.

(b) Associates and jointly controlled entities

The Group's share of profits less losses of associates and jointly controlled entities by business segments is analysed as follows:

	Share of Profits Less Losses before Taxation	
	2002	2001
Property		
Property sales	793	1,236
Rental income	345	328
	1,138	1,564
Other business activities	946	477
Profit from operations	2,084	2,041
Finance cost	(367)	(459)
	1,717	1,582

NOTES TO THE FINANCIAL STATEMENTS
(Expressed in millions of Hong Kong dollars)

2. Segment Information (Cont'd)

(i) Segment Results (Cont'd)

(c) Combined results of the Group and its share of results of associates and jointly controlled entities by business segments

	Attributable Profit	
	2002	2001
Property		
Property sales	4,837	4,861
Rental income	4,432	4,401
	9,269	9,262
Hotel operation	189	195
Other business activities	1,344	851
	10,802	10,308
Other revenue	394	547
Unallocated administrative expenses	(497)	(485)
Profit from operations	10,699	10,370

(ii) Assets and Liabilities

The Group's assets and liabilities by business segments are analysed as follows:

	The Company and Subsidiaries	Associates and Jointly Controlled Entities	Total Assets	Liabilities
At 30th June 2002				
Property				
Development	41,271	8,995	50,266	(6,997)
Investment	85,536	10,011	95,547	(1,842)
	126,807	19,006	145,813	(8,839)
Hotel operation	4,540	–	4,540	(60)
Other business activities	5,468	5,946	11,414	(3,264)
	136,815	24,952	161,767	(12,163)
Bank balances and deposits			8,272	–
Bank and other borrowings			–	(28,329)
Unallocated corporate assets/(liabilities)			3,954	(3,327)
Total assets/(liabilities)			173,993	(43,819)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Hong Kong dollars)

2. Segment Information (Cont'd)

(ii) Assets and Liabilities (Cont'd)

	The Company and Subsidiaries	Associates and Jointly Controlled Entities	Total Assets	Liabilities
At 30th June 2001				
Property				
Development	42,364	10,205	52,569	(9,813)
Investment	89,560	10,162	99,722	(2,491)
	131,924	20,367	152,291	(12,304)
Hotel operation	4,296	–	4,296	(66)
Other business activities	5,817	4,705	10,522	(4,290)
	142,037	25,072	167,109	(16,660)
Bank balances and deposits			9,061	–
Bank and other borrowings			–	(28,992)
Unallocated corporate assets/(liabilities)			2,772	(3,272)
Total assets/(liabilities)			178,942	(48,924)

Less than 10 per cent of the Group's assets situated outside Hong Kong.

The Group's depreciation and capital expenditure by business segments are analysed as follows:

	Depreciation		Capital Expenditure	
	2002	2001	2002	2001
Property				
Development	3	7	1,921	1,642
Investment	8	14	871	6,896
	11	21	2,792	8,538
Hotel operation	14	14	21	28
Other business activities	203	176	156	606
Unallocated corporate assets	23	12	5	7
	251	223	2,974	9,179

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Hong Kong dollars)

3. NET FINANCE COST

	2002	2001
Interest expense on		
Bank loans and overdrafts	637	1,551
Other loans wholly repayable within 5 years	267	568
Other loans not wholly repayable within 5 years	65	96
	969	2,215
Less: Portion capitalized	(317)	(593)
	652	1,622
Interest income on bank deposits	(86)	(464)
	566	1,158

Interest is capitalized at an average annual rate of approximately 2.9 per cent (2001: 6.3 per cent).

4. PROVISION FOR IMPAIRMENT OF INVESTMENTS AND RESTRUCTURING COSTS

During the year, SUNeVision Holdings Limited, the Group's subsidiary, carried out a restructuring programme of its business, incurring one-off costs amounting to HK\$131 million and also made a HK\$356 million provision for impairment of technology investments.

5. PROFIT BEFORE TAXATION

	2002	2001
Profit before taxation is arrived at after charging:		
Cost of properties sold	11,622	4,119
Depreciation	251	223
Staff costs (including directors' emoluments and retirement schemes contributions)	1,819	1,865
Auditors' remuneration	7	7
and crediting:		
Dividend income from:		
listed investments	22	74
unlisted investments	41	3
Interest income from:		
listed investments	139	11
Profit on disposal of marketable securities	13	104
Net holding gain on marketable securities	58	42

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Hong Kong dollars)

6. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

	2002	2001
Directors' emoluments:-		
Fees	1	1
Salaries, allowances and benefits in kind	16	17
Bonuses	17	28
Retirement scheme contributions	1	1
	35	47

Fees paid to independent non-executive directors amounted to HK\$160,000 (2001: HK\$200,000). They received HK\$700,000 (2001: HK\$700,000) as other emoluments.

Number of directors whose emoluments fell within:-

Emoluments Band			Number of Directors	Number of Directors
HK\$M		HK\$M		
0	–	1.0	7	8
1.5	–	2.0	4	4
2.5	–	3.0	1	–
4.0	–	4.5	–	2
4.5	–	5.0	–	1
5.5	–	6.0	1	–
6.0	–	6.5	1	–
12.5	–	13.0	1	–
25.5	–	26.0	–	1
			15	16

The above analysis included three (2001: two) individuals whose emoluments were among the five highest pay in the Group. Details of the emoluments paid to the remaining two (2001: three) individuals are:

	2002	2001
Salaries, allowances and benefits in kind and retirement scheme contributions	6	10
Bonuses	1	10
	7	20

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Hong Kong dollars)

6. Directors' Emoluments And Five Highest Paid Individuals (Cont'd)

Number of employees whose emoluments fell within:-

Emoluments Band			Number of Employees	Number of Employees
HK\$M		HK\$M		
3.0	–	3.5	1	–
3.5	–	4.0	1	–
5.0	–	5.5	–	1
6.0	–	6.5	–	1
8.0	–	8.5	–	1
			2	3

7. STAFF RETIREMENT SCHEMES

The Group operates a number of defined contribution schemes for all qualified employees. The assets of these schemes are held separately from those of the Group in independently administered funds. Contributions to these schemes are made by both the employers and employees at rates ranging from 5 per cent to 10 per cent on the employees' salary.

With effect from 1st December 2000, the Group sets up an employer sponsored scheme ("MPF Scheme") for other employees. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in independently administered funds. Pursuant to the rules of the MPF Scheme, the Group and its employees are each required to make contributions to the scheme at specific rates. Contributions of the Group to the MPF Scheme are charged to profit and loss account as incurred.

Total contributions to the retirement schemes made by the Group during the year amounted to HK\$99 million (2001: HK\$91 million). Forfeited contributions for the year of HK\$7 million (2001: HK\$9 million) were used to reduce the existing level of contributions.

8. TAXATION

	2002	2001
Hong Kong		
The Company and subsidiaries	687	722
Under/(over) provision in prior year	(5)	19
	682	741
Associates	85	59
Jointly controlled entities	105	58
	872	858

(a) Hong Kong profits tax is provided at the rate of 16 per cent (2001: 16 per cent) based on the estimated assessable profits for the year.

(b) No provision for deferred taxation has been made as the aggregate effect of all timing differences is insignificant.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Hong Kong dollars)

9. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders dealt with in the profit and loss account of the Company amounts to HK\$6,719 million (2001: HK\$8,419 million).

10. DIVIDENDS

	2002	2001
Interim dividend of HK\$0.55 per share based on 2,401 million shares (2001: HK\$0.55 per share based on 2,401 million shares) paid	1,321	1,321
Proposed final dividend of HK\$1.00 per share based on 2,401 million shares (2001: HK\$1.00 per share based on 2,401 million shares)	2,401	2,401
Proposed special cash dividend of HK\$0.60 per share based on 2,401 million shares (2001: Nil)	1,441	–
	5,163	3,722

The proposed final and special cash dividend after the balance sheet date have not been recognized as liabilities at the balance sheet date but are disclosed as separate components of equity on the face of the balance sheet. The shareholders' funds as at 1st July 2001 have been restated to include HK\$2,401 million proposed final dividend for the year ended 30th June 2001, pursuant to the adoption of SSAP 9 (Revised).

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on HK\$8,519 million (2001: HK\$8,330 million) being profit attributable to shareholders and on 2,400,907,362 shares in issue throughout both 2002 and 2001.

No diluted earnings per share for the year ended 30th June, 2002 is presented as there are no potential dilutive ordinary shares. The calculation of diluted earnings per share for the year ended 30th June 2001 is based on HK\$8,330 million being profit attributable to shareholders and on the weighted average number of 2,400,935,185 shares after adjusting for the dilutive effects of all potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Hong Kong dollars)

12. FIXED ASSETS

The Group	Investment Properties	Hotel Properties	Properties under Development	Other Properties	Other Fixed Assets	Total
(a) Movement during year						
Cost or valuation						
At beginning of year	79,628	4,210	7,540	2,548	1,741	95,667
Additions	85	20	785	–	163	1,053
Transfer in	250	–	–	80	–	330
Disposals	(175)	–	(54)	–	(209)	(438)
Cost adjustments	(410)	(110)	–	–	–	(520)
Transfer out	–	–	(19)	–	(2)	(21)
Revaluation surplus/ (deficit)	(4,273)	350	–	–	–	(3,923)
At end of year	75,105	4,470	8,252	2,628	1,693	92,148
Accumulated depreciation						
At beginning of year	–	–	–	289	680	969
Charge for the year	–	–	–	88	163	251
Disposals	–	–	–	–	(60)	(60)
Transfer out	–	–	–	–	(1)	(1)
At end of year	–	–	–	377	782	1,159
Net book value at 30/6/2002	75,105	4,470	8,252	2,251	911	90,989
Net book value at 30/6/2001	79,628	4,210	7,540	2,259	1,061	94,698
(b) Basis of book value						
2002 professional valuation	75,105	4,470	–	–	–	79,575
Cost	–	–	8,252	2,628	1,693	12,573
	75,105	4,470	8,252	2,628	1,693	92,148

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Hong Kong dollars)

12. Fixed Assets (Cont'd)

(c) Net book value of properties shown above comprises:

	2002	2001
Land in Hong Kong held under long lease (not less than 50 years)		
Investment properties	16,690	18,363
Hotel properties	1,490	1,400
Other properties	529	541
	18,709	20,304
Medium-term lease (less than 50 years but not less than 10 years)		
Investment properties	56,543	59,409
Hotel properties	2,980	2,810
Properties under development	8,163	7,448
Other properties	1,722	1,718
	69,408	71,385
Land outside Hong Kong held under long lease (not less than 50 years)		
Investment properties	663	686
Properties under development	89	92
	752	778
Medium-term lease (less than 50 years but not less than 10 years)		
Investment properties	1,209	1,170
	90,078	93,637

(d) Investment properties and hotel properties revaluation

The Group's investment properties and hotel properties have been revalued as at 30th June 2002 by Messrs. Knight Frank and Chesterton Petty, Chartered Surveyors on an open market value basis.

(e) Gross rental receivable from and profit on disposal of the Group's investment properties during the year amounted to HK\$4,964 million (2001: HK\$5,008 million) and HK\$97 million (2001: HK\$289 million) respectively.

(f) The carrying amount of properties under development as at 30th June 2002 included interest capitalized in the amount of HK\$891 million (2001: HK\$707 million).

13. SUBSIDIARIES**The Company**

	2002	2001
Unlisted shares, at cost	30,076	30,076

Particulars regarding principal subsidiaries are set out on pages 134 to 138.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Hong Kong dollars)

14. ASSOCIATES

The Group

	2002	2001
Share of net assets		
Listed in Hong Kong	2,985	2,624
Unlisted	352	230
Amounts due from associates	1,804	2,221
Amounts due to associates	(35)	(32)
	5,106	5,043
Market value of Hong Kong listed shares	7,034	4,887

Particulars regarding principal associates are set out on page 140.

15. JOINTLY CONTROLLED ENTITIES

	2002		2001	
	The Group	The Company	The Group	The Company
Unlisted shares, at cost		4		4
Share of net assets, unlisted	926		2,978	
Amounts due from jointly controlled entities	19,056	3	17,798	1
Amounts due to jointly controlled entities	(136)	–	(747)	(69)
	19,846	7	20,029	(64)

Particulars regarding principal jointly controlled entities are set out on page 139.

16. INVESTMENTS

	2002		2001	
	The Group	The Company	The Group	The Company
Listed held-to-maturity debt securities, overseas	1,917	–	532	–
Unlisted held-to-maturity debt securities	125	–	61	–
Listed equity securities, Hong Kong	369	–	525	–
Unlisted equity securities	698	–	1,004	–
	3,109	–	2,122	–
Amounts due from investee companies	98	–	98	–
Amounts due to investee companies	(18)	(2)	(28)	(3)
	3,189	(2)	2,192	(3)
Market value				
Listed overseas	1,973	–	544	–
Listed in Hong Kong	397	–	580	–
	2,370	–	1,124	–

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Hong Kong dollars)

17. STOCKS

The Group

	2002	2001
Properties under development	22,314	22,496
Stocks of completed properties	2,834	2,785
Materials	52	53
	25,200	25,334

The amount of the above stocks that are carried at net realizable value was HK\$1,079 million (2001: HK\$1,259 million).

18. TRADE AND OTHER RECEIVABLES

		2002		2001	
	Note	The Group	The Company	The Group	The Company
Debtors, deposits and prepayments		5,908	142	2,864	240
Amounts due from customers for contract works	18a	107	–	76	–
Short-term loans		283	–	400	–
		6,298	142	3,340	240

Considerations in respect of sold properties are payable by the purchasers pursuant to the terms of the sale and purchase agreements. Monthly rents in respect of leased properties are payable in advance by the tenants. Other trade debtors settle their accounts according to the payment terms as stated in contracts.

Included in trade and other receivables of the Group are trade debtors of HK\$4,495 million (2001: HK\$1,373 million), of which 94 per cent aged less than 60 days, two per cent between 61 to 90 days and four per cent more than 90 days (2001: 80 per cent, four per cent and 16 per cent respectively).

18a. Amounts due from/(to) customers for contract works

The Group

	Note	2002	2001
Contract costs incurred plus recognized profits less recognized losses		2,086	196
Less: Progress billings		(2,022)	(135)
		64	61
Represented by:			
Due from customers included in current assets	18	107	76
Due to customers included in current liabilities	22	(43)	(15)
		64	61

NOTES TO THE FINANCIAL STATEMENTS
(Expressed in millions of Hong Kong dollars)

19. MARKETABLE SECURITIES

The Group

	2002	2001
Equity securities, at market value		
Listed in Hong Kong	296	318
Listed overseas	15	31
Debt securities, at market value		
Listed overseas	53	50
	364	399

20. BANK BALANCES AND DEPOSITS

	2002		2001	
	The Group	The Company	The Group	The Company
Short-term bank deposits	8,035	–	8,736	–
Bank balances and cash	237	21	325	–
	8,272	21	9,061	–

21. BANK AND OTHER BORROWINGS

		2002		2001	
	Note	The Group	The Company	The Group	The Company
Unsecured bank overdrafts		42	–	53	11
Non-current bank and other borrowings due within one year	23	3,786	–	4,944	–
		3,828	–	4,997	11

22. TRADE AND OTHER PAYABLES

		2002		2001	
	Note	The Group	The Company	The Group	The Company
Creditors and accrued expenses		8,229	244	9,330	214
Amounts due to customers for contract works	18a	43	–	15	–
		8,272	244	9,345	214

Included in trade and other payables of the Group are trade creditors of HK\$501 million (2001: HK\$458 million), of which 47 per cent aged less than 60 days, 10 per cent between 61 to 90 days and 43 per cent more than 90 days (2001: 86 per cent, one per cent and 13 per cent respectively).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Hong Kong dollars)

23. BANK AND OTHER BORROWINGS**The Group**

	Note	2002	2001
Unsecured bank loans repayable			
Within one year		3,486	4,269
After one year, but within two years		5,477	6,380
After two years, but within five years		6,183	8,171
After five years		8,855	5,258
		24,001	24,078
Other unsecured loans repayable			
Within one year		300	675
After one year, but within two years		800	300
After two years, but within five years		2,152	2,302
After five years		1,034	1,584
		4,286	4,861
		28,287	28,939
Less: Amount due within one year included under current liabilities	21	(3,786)	(4,944)
		24,501	23,995

(a) The above other unsecured loans are repayable on various dates up to April 2010 at commercial market rates.

(b) Bank loans shown above that are not wholly repayable within five years amounted to HK\$9,203 million (2001: HK\$7,208 million).

24. MINORITY INTERESTS**The Group**

	2002	2001
Share of equity and reserves in subsidiaries	638	729
Amounts due to minority shareholders	987	923
Amounts due from minority shareholders	(49)	(42)
	1,576	1,610

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Hong Kong dollars)

25. SHARE CAPITAL

	2002		2001	
	Number of Shares in Million	Amount	Number of Shares in Million	Amount
Authorized:				
Ordinary shares of HK\$0.50 each				
At beginning and end of year	2,900	1,450	2,900	1,450
Issued and fully paid:				
Ordinary shares of HK\$0.50 each				
At beginning and end of year	2,401	1,201	2,401	1,201

26. SHARE OPTION SCHEME

Movements in share options to subscribe for ordinary shares in the Company during the year are as follows:

Date of Grant	Exercise Price	Exercisable Period	Number of Share Options			
			At Beginning of Year	Granted During the Year	Lapsed During the Year	At end of Year
15th February 2000	HK\$70	15.2.2001 to 14.2.2005	810,000	–	–	810,000
16th July 2001	HK\$70	16.7.2002 to 15.7.2006	–	2,121,000	–	2,121,000
			810,000	2,121,000	–	2,931,000

27. SHARE PREMIUM AND RESERVES

	2002		2001	
	The Group	The Company	The Group	The Company
Share premium				
At beginning of year and end of year	17,000	17,000	17,000	17,000
Capital reserve				
At beginning of year	627	5,281	664	5,281
Goodwill on purchase of additional interest in subsidiaries	–	–	(94)	–
Net reserve on acquisition of subsidiaries	–	–	93	–
Goodwill on acquisition of associates	–	–	(36)	–
Goodwill adjustments	67	–	–	–
At end of year	694	5,281	627	5,281

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Hong Kong dollars)

27. Share Premium And Reserves (Cont'd)

	2002		2001	
	The Group	The Company	The Group	The Company
Property revaluation reserves				
At beginning of year	50,482	–	49,955	–
Surplus/(deficit) on revaluation of properties held by subsidiaries attributable to the Group				
– Investment properties	(4,158)	–	668	–
– Hotel properties	350	–	233	–
Surplus realized on disposal of investment properties held by subsidiaries	(72)	–	(278)	–
Share of deficit on revaluation of investment properties held by jointly controlled entities	(798)	–	(96)	–
Share of surplus on revaluation of investment properties held by associates	4	–	–	–
At end of year	45,808	–	50,482	–
Exchange reserve				
At beginning of year	7	–	(4)	–
Exchange difference arising on translation of financial statements of				
– Subsidiaries	(2)	–	6	–
– Associates	–	–	1	–
– Jointly controlled entities	2	–	4	–
At end of year	7	–	7	–
Retained profits				
At beginning of year	56,690	56,378	52,088	51,681
Goodwill adjustments	–	–	(6)	–
Profit attributable to shareholders	8,519	6,719	8,330	8,419
Interim dividend paid	(1,321)	(1,321)	(1,321)	(1,321)
Proposed final dividend	(2,401)	(2,401)	(2,401)	(2,401)
Proposed special cash dividend	(1,441)	(1,441)	–	–
At end of year	60,046	57,934	56,690	56,378
Total share premium and reserves	123,555	80,215	124,806	78,659

At the balance sheet date, retained profits of the Group included HK\$1,473 million (2001: HK\$1,030 million) retained by associates and losses of HK\$1,036 million (2001: profits of HK\$83 million) retained by jointly controlled entities. Distributable reserves of the Company as at 30th June 2002 including the proposed dividends amounted to HK\$61,776 million (2001: HK\$58,779 million).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Hong Kong dollars)

28. NOTES TO CONSOLIDATED CASH FLOW STATEMENT**(a) Reconciliation of profit from operations to net cash inflow from operating activities**

	2002	2001
Profit from operations	8,615	8,329
Depreciation	251	223
Profit on disposal of investment properties	(59)	(289)
Loss on disposal of other fixed assets	67	3
Profit on disposal of associates and jointly controlled entities	(19)	–
Dividends received from investments	(63)	(77)
Interest income	(216)	(242)
Provision for restructuring costs	(131)	–
Provision for diminution in value of land pending development	140	–
Provision for diminution in value of a long-term investment	–	9
Decrease in stocks	6,134	520
Decrease/(increase) in trade and other receivables	(3,010)	225
Decrease in marketable securities	35	712
Decrease in trade and other payables	(511)	(574)
Increase/(decrease) in deposits received on sale of properties	(3,513)	3,344
Net cash inflow from operating activities	7,720	12,183

(b) Purchase of subsidiaries

	2002	2001
Net assets acquired:		
Fixed assets	6	1,105
Associates	–	3
Jointly controlled entities	–	45
Trade and other receivables	11	13
Bank balances and deposits	14	57
Trade and other payables	(15)	(291)
Bank borrowings	–	(464)
Minority interests	(5)	(155)
	11	313
Less:		
Associates	–	(2)
Jointly controlled entities	(6)	(103)
	5	208
Net reserve on acquisition	–	(93)
	5	115
Satisfied by:		
Cash paid	5	115

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Hong Kong dollars)

28. Notes to Consolidated Cash Flow Statement (Cont'd)**(b) Purchase of subsidiaries (cont'd)**

	2002	2001
Analysis of net cash outflow/(inflow) of cash and cash equivalents in respect of the purchase of subsidiaries:		
Cash consideration paid	5	115
Bank balances and deposits acquired	(14)	(57)
	(9)	58

(c) Analysis of changes in financing during the year

	Share capital and share premium	Bank and other borrowings	Minority interests	Total
At 1st July 2000	18,201	28,329	1,611	48,141
Net cash inflow/(outflow) from financing	–	146	(148)	(2)
Arising on purchase of subsidiaries	–	464	155	619
Minority interests in				
– profits	–	–	10	10
– investment property revaluation reserve	–	–	16	16
Dividends paid to minority shareholders	–	–	(48)	(48)
Effect of purchase of additional interest in subsidiaries	–	–	14	14
At 30th June 2001 and 1st July 2001	18,201	28,939	1,610	48,750
Net cash inflow/(outflow) from financing	–	(652)	57	(595)
Acquisition of subsidiaries	–	–	5	5
Minority interests in				
– profits	–	–	(64)	(64)
– investment property revaluation reserve	–	–	5	5
Dividends paid to minority shareholders	–	–	(18)	(18)
Effect of purchase of additional interest in a subsidiary	–	–	(19)	(19)
At 30th June 2002	18,201	28,287	1,576	48,064

(d) Analysis of the balances of cash and cash equivalents at end of year

	2002	2001
Short-term bank deposits	8,035	8,736
Bank balances and cash	237	325
Bank overdrafts	(42)	(53)
	8,230	9,008

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Hong Kong dollars)

29. JOINTLY CONTROLLED ASSETS

At the date of the balance sheet, the aggregate amounts of assets and liabilities recognized in the financial statements relating to the Group's interests in jointly controlled assets are as follows:

	2002	2001
Investment properties	5,250	5,980
Land pending development	71	71
Land under development	2,672	1,889
Stocks of completed properties	58	58
	8,051	7,998
Creditors and accrued expenses	97	93

30. RELATED PARTY TRANSACTIONS

During the year, the Group undertook various transactions with related parties for provision of finance, lease of premises, purchasing of goods and rendering of certain services related to property construction, management and marketing activities. The following is a summary of significant transactions between the Group and related parties, which were carried out at similar terms to other customers or suppliers and at market prices:

	Associates		Jointly Controlled Entities	
	2002	2001	2002	2001
Interest income	59	131	143	357
Rental income	60	76	1	4
Other revenue from services rendered	135	63	812	1,051
Purchase of goods and services	–	–	438	442

The outstanding balances with associates and jointly controlled entities at the balance sheet date were disclosed in Notes (14) and (15).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Hong Kong dollars)

31. CONTINGENT LIABILITIES AND COMMITMENTS**The Group**

At the date of the balance sheet, the Group had contingent liabilities and commitments, so far as not provided for in the consolidated financial statements, as follows:

	2002	2001
(a) Capital commitments in respect of fixed assets		
Contracted but not provided for	1,592	1,685
Authorized but not contracted for	206	363
(b) Group's share of capital commitments of joint ventures:		
Contracted but not provided for	2,332	3,629
Authorized but not contracted for	235	156
(c) Guarantees given to banks and financial institutions in respect of facilities drawn by jointly controlled entities amounting to approximately HK\$3,789 million (2001: an associate of HK\$1,046 million and jointly controlled entities of HK\$6,652 million).		

The Company

At the date of the balance sheet, the Company had contingent liabilities, not included in the Company's financial statements, in respect of guarantees for bank and other borrowings drawn by:

	2002	2001
Subsidiaries	28,209	28,849
Associate	–	1,046
Jointly controlled entities	3,622	6,575
	31,831	36,470

32. OPERATING LEASE

At the balance sheet date, the future aggregate minimum lease income receivable by the Group under non-cancellable operating leases for land and buildings is analysed as follows:

	2002	2001
Not later than one year	3,622	3,778
Later than one year but not later than five years	3,314	3,309
Later than five years	77	84
	7,013	7,171

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Hong Kong dollars)

33. FINANCIAL INSTRUMENTS

Details of the Group's outstanding interest rate swaps and currency swaps at balance sheet date are as follows:

	Notional Principal Amount	
	2002	2001
Interest rate swaps		
– Less than one year	300	675
– One to five years	1,950	1,700
– After five years	800	1,250
	3,050	3,625
Currency swaps		
– After five years	234	234

Counterparties to swap transactions are reputable international financial institutions with strong credit ratings. The Group has established treasury policies and control procedures to assess and monitor the counterparty limits and exposure. The Group does not consider that it has any significant exposure to any individual counterparty, nor does it anticipate non-performance by any of its counterparties.

34. COMPARATIVE FIGURES

Certain comparative figures have been restated as a result of adoption of the requirements of SSAP 9 (Revised) "Events after the Balance Sheet Date", SSAP 26 "Segment Reporting", details of which are set out in Note 1.

The adoption of SSAP 30 "Business Combination" has no material effect on the Group's net assets or profit attributable to shareholders for prior years and therefore no restatement is made for comparative figures.

35. APPROVAL OF FINANCIAL STATEMENTS

The financial statements set out on pages 102 to 140 were approved by the board of directors on 26th September 2002.

PRINCIPAL SUBSIDIARIES

The directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the list following contains only the particulars of subsidiaries which principally affect the profit and loss account or assets of the Group. A complete list of all the subsidiaries will be annexed to the Company's 2002 annual return.

Unless otherwise stated, all principal subsidiaries are incorporated and operating in Hong Kong and unlisted.

Name	Note	Attributable Equity Interest Held by the Company (%)	Activities	Issued Capital (HK\$)
SUNeVision Holdings Limited (Listed in Hong Kong)	2	84.79	IT Infrastructure & Internet Services Investment	202,786,450
Sun Hung Kai Real Estate Agency Limited		100	General management & agency	1,000,000
New Town (N.T.) Properties Limited		100	Investment holding	2,287,659,338
Hung Kai Finance Company Limited		100	Registered deposit-taking Company	100,000,200
Fidelity Finance Company Limited		100	Finance	200
Honour Finance Company Limited		100	Finance	500,000
Sun Hung Kai Properties (Financial Services) Limited		100	Finance	100,000
Sun Hung Kai Properties Insurance Limited		100	General insurance	75,000,000
Honour Securities Company Limited		100	Share broking	6,000,000
Sun Hung Kai Engineering Company Limited		100	Architectural & engineering	350,000
Sanfield Building Contractors Limited		100	Building construction	2,500,000
Everlight Engineering Company Limited		100	Fire prevention & mechanical engineering	50,000
Aegis Engineering Company Limited		100	Plant and machine hire	100,000
Hong Yip Service Company Limited		100	Property & Facility management	100,000
Kai Shing Management Services Limited		100	Property & Facility management	10,000
Mantegna Investment Company Limited	1	100	Hotel ownership	10,000,000
New Town Serviced Apartment Management Company Limited		100	Furnished apartment management	200
Royaltelle International Limited		100	Hotel management	2
Additech Ltd.	1	100	Property investment	US\$1
Addpower Properties Limited	1	100	Property investment	US\$1
Airport Freight Forwarding Centre Company Limited		100	Freight forwarding centre	100
Amglo Master Ltd.	1	100	Property investment	US\$1
Antanpark Limited	1	100	Property investment	US\$1
Antinio Investments Limited	1	100	Property investment	US\$1
Ao Ta Development Company Limited		100	Property investment	200
Artsland Properties Investment Ltd.	1	100	Property investment	US\$1

PRINCIPAL SUBSIDIARIES

Name	Note	Attributable Equity Interest Held by the Company (%)	Activities	Issued Capital (HK\$)
Barnard Enterprises Limited	1	75	Property investment	US\$100
Beauty Marble Investment Limited		100	Property investment	2
Biliboss Limited	1	100	Property investment	US\$1
Biliwide Limited		100	Property development	20
Billion Mix Limited		100	Property investment	2
Branhall Investments Limited	1	100	Property investment	40,000,000
Campsie Enterprise Limited	1	100	Property investment	US\$1
Cherry Land Company Limited		100	Property investment	1,500,000
Coundon Enterprise Limited	1	100	Property investment	US\$1
Country Well (H.K.) Limited		100	Property investment	2
Crownsnest Enterprise Limited	1	100	Property investment	US\$1
Darlinghurst Enterprise Limited	1	100	Property investment	US\$1
Deluxe Plan Enterprises Limited		100	Property investment	2
Deporte Limited	1	100	Property investment	US\$1
Dictado Company Limited		100	Property investment	200
Dipende Limited	1	100	Property investment	US\$1
Donora Company Limited		100	Property development, share investment and dealing	2
Durbanham Enterprise Limited	1	100	Property investment	US\$1
Entero Company Limited		100	Property investment	200
Ever Channel Limited		100	Property investment	2
Ever Fast Limited		100	Property development and investment	2
Excellent Chance Limited	1	100	Property investment	US\$1
Far Fortune Investment Limited		100	Property investment	2
Firstmax Limited		100	Property investment	2
Forever Glory Investments Limited	1	100	Property investment	US\$1
Fortune Honor Limited		100	Property investment	2
Fortune Yield Investment Limited		100	Property investment	2
Full Market Limited		100	Property investment	2
Garudia Limited		100	Property investment	2
Getherich Ltd.	1	100	Property investment	US\$1
Gleamland Limited	1	100	Property investment	US\$1
Golden Square Properties Enterprises Limited	1	100	Property investment	1,000,000
Goldland Limited	1	100	Property investment	US\$1
Grand Kosky Ltd.	1	100	Property investment	US\$1
Grumete Company Limited		100	Property development	200
Harsco Limited		100	Property development	2
Henca Limited	1	100	Property investment	US\$1
Hintline Investments Limited		100	Property development	5,000
Honenberg Limited		100	Property investment	2

PRINCIPAL SUBSIDIARIES

Name	Note	Attributable Equity Interest Held by the Company (%)	Activities	Issued Capital (HK\$)
Hong Kong Business Aviation Centre Limited	4	35	Business Aviation Centre	1,000,000
Honour Futures Limited		100	Commodities dealing	7,000,000
Hopley International Limited	1	100	Property investment	US\$1
Horway Limited	1	100	Property development	US\$1
Hung Kai Finance Investment Holding Limited		100	Property investment	200
Jugada Company Limited		100	Property investment	2
Kamchatka Company Limited		100	Property investment	200
Kartasun Limited		100	Property investment	2
Kimrose Investments Ltd.	1	100	Property investment	US\$1
Kingsgrove Enterprise Limited	1	100	Property investment	US\$1
Laboster Company Limited		100	Property investment	2
Lee Bit Kai Investment Company Limited		100	Property investment	1,000
Light Time Investments Limited		100	Property development and investment	2
Little Jewel Limited	1	100	Property development	US\$1
Long Tesak Company Limited		100	Property investment	100,000
Lorient Holdings Ltd.	1	100	Property investment	US\$1
Lunalite Company Limited		100	Property investment	2
Luxsky Ltd.	1	100	Property investment	US\$1
Main Global Limited		100	Property investment	2
Manceton Limited		100	Property investment	2
Manmouth Limited		100	Property development and investment	2
Merit Success Company Limited		100	Property investment	2
Mindano Limited		100	Property investment	10,000
Morifunn Ltd.	1	100	Property investment	US\$1
Moscova Company Limited		100	Property investment	200
Nixon Cleaning Company Limited		100	Cleaning service	100,000
Obvio Yip Company Limited		100	Property development and investment	15,000,000,000
Open Step Limited		60	Property investment	10
Oriental Eagle Enterprises Limited		100	Property investment	2
Pacotilla Company Limited		100	Property investment	200
Pako Shun Limited		100	Property investment	2
Parico Fortune Ltd.	1	100	Property investment	US\$1
Peach Blossom Company Limited	1	100	Property investment	US\$1
Perfect Smart Enterprises Ltd.	1	100	Property investment	US\$1
Ponente Company Limited		100	Property investment	200
Prelong Limited		100	Property development and investment	2
Profit Richness Limited	1	100	Property investment	US\$1

PRINCIPAL SUBSIDIARIES

Name	Note	Attributable Equity Interest Held by the Company (%)	Activities	Issued Capital (HK\$)
Protasan Limited		100	Property investment	100
Rainforce Limited		100	Property development	2
Rena Holding Limited	1	100	Property investment	US\$1
SHK (N.T.) Shopping Limited		100	Property investment	200
Shubbery Company Limited		100	Property investment	200
Solar Kingdom Limited		100	Property development and investment	2
Speed Cheer Ltd.		75	Property development	10,000
Speed Wise Limited		100	Property investment	2
Splendid Kent Limited		100	Property development	4
Standard Top Limited		100	Property investment	2
Startrack Company Limited		100	Property investment	200
Sun Carol Company Limited		100	Property investment	200
Sun Hung Kai China Trading Limited		100	Property investment	2
Sun Hung Kai Properties Consultants Limited		100	Property investment	2
Sun Hung Kai Properties Pacific Limited		100	Property investment	2
Sun Hung Kai Real Estate Consultants Limited		100	Property investment	2
Sun Hung Kai Secretarial Services Limited		100	Secretarial services	200
Sun Yuen Long Centre Management Company Limited		87.5	Property investment and management	50,000
Sunfez Company Limited		100	Property investment	200
Sunrit Enterprises Limited		100	Property investment	4,000,000
Super Bold Limited		100	Property investment	10,000
Super Sun Limited		100	Property development	2
Supreme Ford Limited		100	Property development	2
Tainam Holdings Limited	1	100	Property investment	US\$1
Ten Choice Development Limited		100	Property investment	2
Tide Lead Enterprises Limited	1	100	Property development	US\$1
Tipro Development Limited		100	Property investment	1,000,000
Tobright Ltd.	1	100	Property development	US\$1
Tonthai Investment Enterprises Limited	1	100	Property investment	US\$1
Town Descant Company Limited		100	Property development and investment	200
Town Fierce Company Limited		100	Property investment	10,000
Truebright Investments Limited		100	Property development and Investment	2
Tsi Mai Company Limited		100	Property investment	200
Tsing Ma Management Limited		66.7	Road management	70,000,000
Tyranny Company Limited		100	Property development and investment	400
Uniland Investment Enterprises Limited	1	100	Property investment	US\$1

PRINCIPAL SUBSIDIARIES

Name	Note	Attributable Equity Interest Held by the Company (%)	Activities	Issued Capital (HK\$)
Upper Hill Company Limited	1	100	Property investment	US\$1
Victory Force Limited		100	Property investment	2
Victory Winner Limited		100	Property investment	2
Vimson Limited	1	100	Property investment	US\$1
Virile Investment Enterprises Limited	1	100	Property investment	US\$1
Wai Hung Development Company Limited		100	Investment holding and property investment	70,000
Warrior Company Limited		100	Property investment	300
Well Logic Properties Investment Limited	1	100	Property investment	US\$1
Wellden Limited		100	Property investment	2
Wilson Parking (Holdings) Limited		100	Investment holding and carpark operation	1,000
Wiseearn Properties Investment Limited	1	100	Property investment	US\$1
Wiselink Investments Enterprises Limited	1	100	Property development	US\$1
WTC (Club) Limited		100	Club management	200
Wylproud Company Limited		100	Property investment	2
Yancon Limited		100	Property investment	2
Zarabanda Company Limited		100	Property investment	2
Zindemar Investments Corp.	3	100	Property development	US\$2

Notes: 1. Incorporated in the British Virgin Islands.

2. Incorporated in the Cayman Islands.

3. Incorporated in Panama.

4. Indirectly held by the Company.

PRINCIPAL JOINTLY CONTROLLED ENTITIES

The directors are of the opinion that a complete list of the particulars of all jointly controlled entities will be of excessive length and therefore the list following contains only the particulars of jointly controlled entities which principally affect the profit and loss account or assets of the Group. A complete list of all jointly controlled entities will be annexed to the Company's 2002 annual return.

Unless otherwise stated, all principal jointly controlled entities are incorporated and operating in Hong Kong and unlisted.

Name	Note	Attributable Equity Interest Held by the Company (%)	Activities
Altomatic Limited		50	Property investment
#+ Anbok Limited		25	Property development
Arrowtown Assets Limited	1	49	Property development
#+ Asia Container Terminals Limited		28.5	Container terminals development
# Beijing Sun Dong An Co. Ltd.	2	50	Property investment
IFC Development Limited	1	47.5	Property development
# Dragon Beauty International Limited		50	Property development
#+ Faith & Safe Transportation Limited		50	Mid stream operator
Glorious Concrete (H.K.) Limited		50	Manufacturers of ready mixed concrete
#+ Green Valley Landfill Limited		20	Landfill waste disposal facility
#+ Hoi Kong Container Services Company Limited		50	Mid stream operator
Jade Land Resources Limited		25	Property development
# Kerry Hung Kai Warehouse (Cheung Sha Wan) Limited		50	Godown operation
Krimark Investments Limited		30	Property development
+ Mightypattern Limited		25	Investment holding
+ New-Alliance Asset Management (Asia) Limited		50	Investment management services
+ Newfoundworld Holdings Limited		20	Property development and investment
#+ Pearl Delta Limited		20	Solid waste management and environment services
#+ Primecredit (Asia) Limited		46.5	Provision of money lending services
#+ Primecredit Limited		46.5	Deposit-taking company
Ranny Limited		50	Property investment
#+ River Trade Terminal Co. Ltd.	1	33	River trade terminal
# Route 3 (CPS) Company Limited		50	Toll road operation
# Senica International Limited		22.5	Investment holding
#+ South China Transfer Limited		20	Solid waste management and environmental services
Splendid Shing Limited		50	Property investment
+ Star Play Development Limited		33.3	Property investment
+ Tinyau Company Limited		50	Property investment
+ Topcycle Development Limited		50	Property development
#+ Uttoxeter Limited		30	Property development
#+ Waldorf Realty Limited		25	Property investment
# Wisdom Choice Investment Limited		40	Property development
# Wolver Hollow Company Limited		50	Property investment
Xipho Development Company Limited		33.3	Property development

+ The financial statements of these companies have been audited by firms other than Deloitte Touche Tohmatsu. The aggregate net assets and profits after taxation of these jointly controlled entities attributable to the Group amounted to HK\$562 million (2001: HK\$959 million) and HK\$246 million (2001: HK\$487 million) respectively.

Companies with year ends not co-terminous with that of Sun Hung Kai Properties Limited.

Note: 1. Incorporated in the British Virgin Islands.
2. Incorporated in The People's Republic of China.

PRINCIPAL ASSOCIATES

The directors are of the opinion that a complete list of the particulars of all associates will be of excessive length and therefore the list following contains only the particulars of associates which principally affect the profit and loss account or assets of the Group. A complete list of all associates will be annexed to the Company's 2002 annual return.

Unless otherwise stated, all principal associates are incorporated and operating in Hong Kong and unlisted.

Name	Note	Attributable Equity Interest Held by the Company (%)	Activities
#+ The Kowloon Motor Bus Holdings Limited (listed in Hong Kong)	1	33.28	Public transportation
#+ Ranex Investments Limited		29	Property development
+ SmarTone Telecommunications Holdings Limited (listed in Hong Kong)	1	29.62	Mobile telephone system operation
#+ The Hong Kong School of Motoring Limited		30	Driving School
#+ Travelex Hung Kai Airport Currency Exchange Limited (formerly Thomas Cook Hung Kai Airport Currency Exchange Limited)		25	Money exchange services

⁺ The financial statements of these companies have been audited by firms other than Deloitte Touche Tohmatsu. The aggregate net assets and profits after taxation of these associates attributable to the Group amounted to HK\$3,329 million (2001: HK\$2,844 million) and HK\$1,057 million (2001: HK\$522 million) respectively.

[#] Companies with year ends not co-terminous with that of Sun Hung Kai Properties Limited.

Note: 1. Incorporated in Bermuda.

