

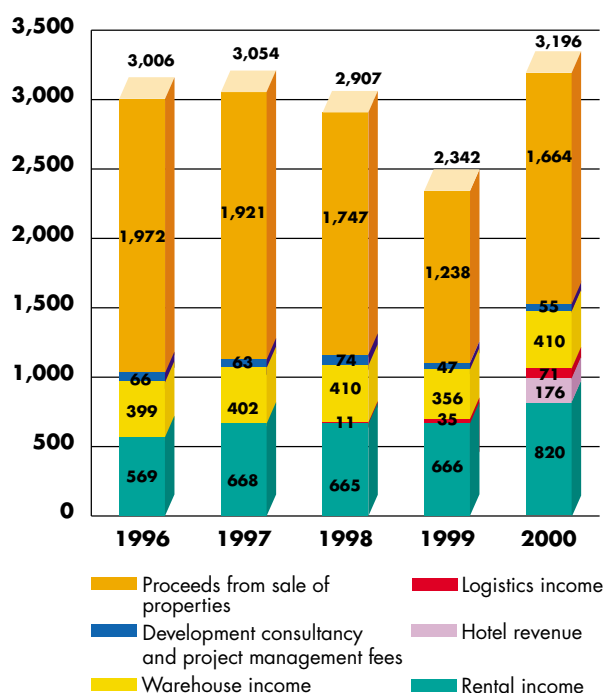
Financial Review

TURNOVER

Turnover for the Group for the year ended 31 December 2000 increased by 36% to HK\$3,196 million (1999: HK\$2,342 million). Turnover from both rental and sales registered increases during the year. Gross property sales income increased from HK\$1,238 million in 1999 to HK\$1,664 million this year. Property rental income also increased to HK\$820 million (1999: HK\$666 million) whilst income from warehouse and logistics amounted to HK\$481 million (1999: HK\$391 million). The Group's hotel operations commenced in late 1999 and contributed HK\$176 million to turnover during the year.

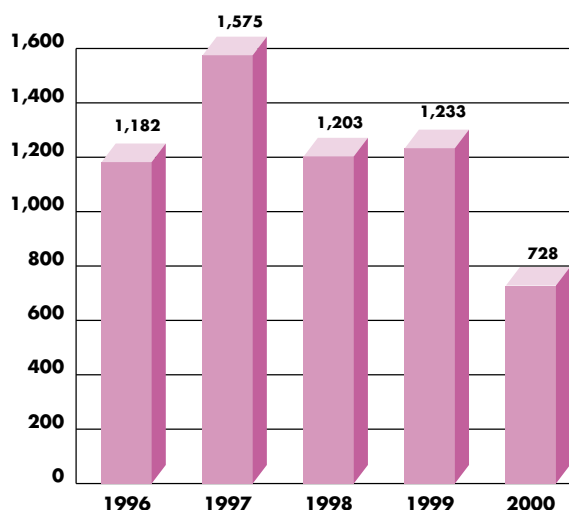
BREAKDOWN OF KPL'S TOTAL TURNOVER

HK\$ MILLION



PROFIT ATTRIBUTABLE TO SHAREHOLDERS

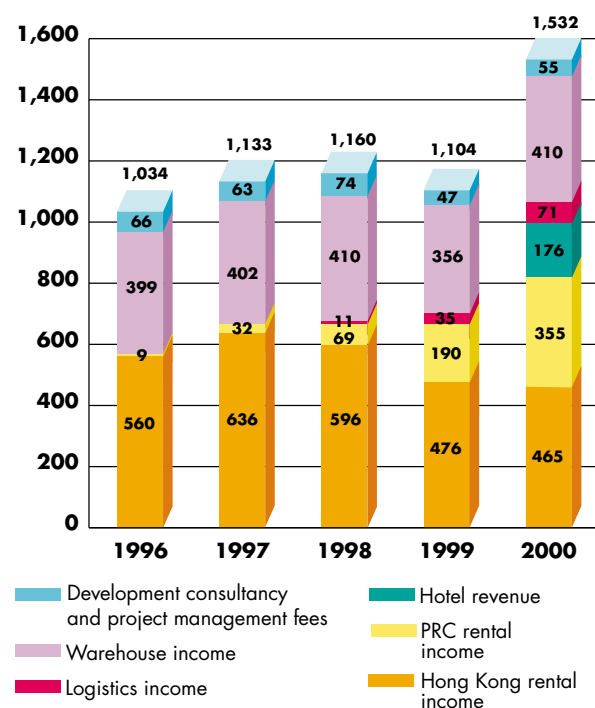
HK\$ MILLION



Profit attributable to shareholders decreased by 41% to HK\$728 million compared with HK\$1,233 million achieved in 1999. The decrease is the result of a provision amounting to HK\$400 million in respect of the Ocean Pointe development at Sham Tseng in Hong Kong. Excluding the effect of the provision, profit attributable to shareholders has only decreased by 8.5%.

KPL'S RECURRENT INCOME BASE

HK\$ MILLION



FUNDING AND FINANCING

In order to achieve better control of treasury operations and lower the average cost of funds, KPL has centralised funding for all its operations at the Group level. Financing is generally arranged at the Group level where foreign exchange exposure will also be reviewed and monitored. Foreign exchange exposure does not pose a significant risk to the Group given that the level of foreign currency exposure is small relative to its total asset base. As at 31 December 2000, US\$ borrowings including convertible bonds amounted to US\$370 million whilst RMB borrowings amounted to RMB828 million. The rental and sales of properties in the PRC are linked to the US\$ whilst expenditures in the PRC are mainly in Renminbi (RMB).

During the year, the Group has continued to seek RMB funding to finance its development projects in the PRC and has secured RMB facilities amounting to RMB158 million.

In addition, the Group secured new HK\$ facilities amounting to approximately HK\$5,000 million during the year 2000, including a HK\$4,205 million unsecured syndicated loan facility which was signed in May 2000. The loan was used to refinance an existing syndicated loan which pays a higher interest margin. This HK\$4,205 million loan facility is the largest syndicated loan raised by the Group since its listing. The loan amount was increased from the original HK\$3,000 million due to the facility being oversubscribed by more than 40%. This remarkable achievement reflects the confidence of the banking community in the Group.

Subsequent to the year end, the Group has also obtained a bilateral unsecured loan facility amounting to HK\$300 million.

Majority of the Group's borrowings are subject to floating interest rates except for certain loans in the PRC and the convertible bonds which are fixed interest loans. Due to declining interest rates, the Group is expected to incur lower finance costs in the coming year.

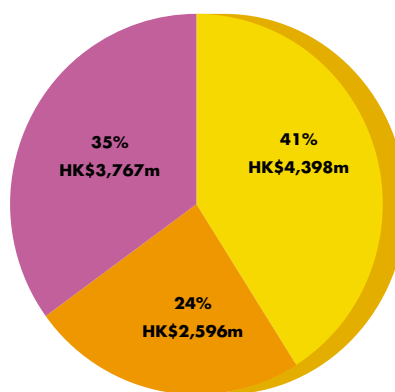
Total borrowings including convertible bonds amounted to HK\$10,761 million at 31 December 2000. Approximately 41% of this debt is repayable within one year. At 31 December 2000, the Group had total undrawn facilities of approximately HK\$3.7 billion and net cash on hand of approximately HK\$1.3 billion. These available cash resources together with the strong recurring cashflows from the Group's core investment property portfolio and the anticipated cash inflows from the sale of properties in the coming year will enable the Group to fund its debt repayments without difficulties. The Group will also be in a strong financial position to take advantage of new attractive investment opportunities that may arise.

The Group is continually reviewing its financing requirements and will consider any unsecured bank financing and/or secured project financing as and when the need arises. Whenever possible, the Group intends to always obtain financing on a fully unsecured basis. During the year, the Group continued to maintain most of its borrowings on an unsecured basis. As at 31 December 2000, unsecured debt comprised of 82% of total borrowings.

In order to refinance existing facilities, finance developments and pay for new investments, the Group had made drawdowns on new loans amounting to approximately HK\$3.5 billion during the year. Loan repayments during the year amounted to approximately HK\$2.9 billion, resulting in net drawdowns amounting to approximately HK\$600 million in the year 2000.

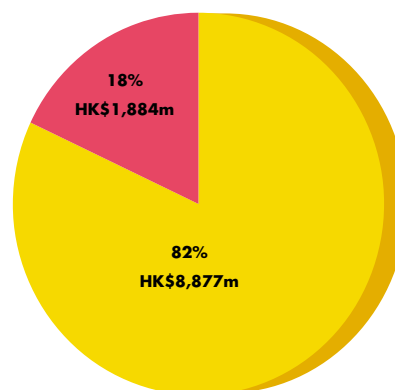
At the year end, total net borrowings including convertible bonds amounted to HK\$9,492 million resulting in a gearing ratio of approximately 40%. The Group will continue with its financial strategy of maintaining a prudent gearing ratio and consider further steps to reduce its borrowings as appropriate.

PROFILE OF KPL'S BORROWINGS (INCLUDING CONVERTIBLE BONDS) – BY MATURITY



■ Due within 1 year ■ Due within the 2nd year
■ Due within the 3rd to 5th years

PROFILE OF KPL'S BORROWINGS (INCLUDING CONVERTIBLE BONDS) – BY SECURITY



■ Secured ■ Unsecured



Hong Kong Property Division

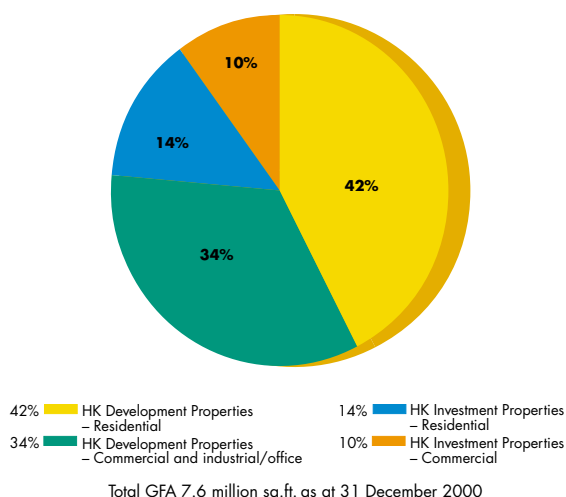
Although the Hong Kong economy has shown some signs of recovery in 2000, the general business outlook for the property market still remains uncertain. Despite this, the Group had been able to maintain a strong recurrent rental income base and cashflows from its Hong Kong Property Division, enhanced by the addition of Aigburth, the Group's newest development in the Mid-Levels, to the investment property portfolio.

The Group will continue to offer properties and facilities of the highest quality as well as the best professional management services to our tenants and customers. Apart from incorporating the latest high tech features to its developments, the Group is also conscious of the importance of environmental protection issues, which the Group believes will help to enhance both the marketability and rentability of units within the Group's portfolio.

SALES OF PROPERTIES

The total gross proceeds from sales of properties in Hong Kong amounted to HK\$1,223 million in 2000 (1999: HK\$1,212 million).

HONG KONG PROPERTY PORTFOLIO BY GROSS FLOOR AREA ("GFA")



The highlight of the year was the sale of the Aigburth 8,550 square feet duplex penthouse in May for a total consideration of HK\$162 million. After due consideration and in view of the lengthy period in attempting to lease this duplex penthouse, the Directors decided it was in the best interests of the Group to sell this penthouse in May 2000.

Two block sales of properties were also completed during the year. In April 2000, the Group sold the whole block of Horizon Lodge in Chung Hom Kok to a joint venture between Grosvenor Estate Holdings of the United Kingdom and Hongkong Land for approximately HK\$115 million. Horizon Lodge is a low-rise development comprising a 3 storey apartment building accommodating 5 apartment units and two



Ocean Pointe swimming pool

2 storey townhouses. In December 2000, 168 Sai Yeung Choi Street, a 22 storey office building located near the Mongkok MTR station, was sold at a consideration of approximately HK\$287 million.

In line with the Group's policy to sell units in non-wholly owned blocks, the Group has continued with the sales of units in Century Towers I, II and Tavistock II in the Mid-Levels, all located at the highly sought after address of Tregunter Path. At the year end all units in Century Towers I and II were sold. In addition, 97 out of 98 units in Tavistock II, a luxury residential building developed by the Group, were also sold, leaving only one remaining penthouse unit which the Group intends to sell in the coming year.

The Group has commenced strata-title sale of the units in its investment property, Tregunter Tower 2. As at 31 December 2000, 13 units out of a total of 54 units in Tregunter Tower 2 have been sold whilst another 2 units were sold subsequent to the year end.

The sale of 33,058 square feet of Enterprise Square was also completed during the year. As this building is no longer wholly owned, the Group will continue selling the remaining 179,441 square feet of Enterprise Square in the coming year.