

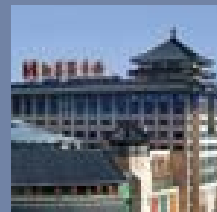


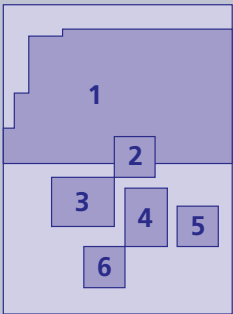
新鴻基地產發展有限公司 Sun Hung Kai Properties Limited



2001/02

中期報告  
Interim Report





1. 中環國際金融中心
2. 新意網
3. 跑馬地禮頓山
4. 長沙灣昇悅居
5. 九龍巴士
6. 北京新東安市場

1. International Finance Centre, Central
2. SUNeVision
3. The Leighton Hill, Happy Valley
4. Liberté, Cheung Sha Wan
5. Kowloon Motor Bus
6. Sun Dong An Plaza, Beijing



新鴻基地產發展有限公司  
Sun Hung Kai Properties Limited

## 目錄

## Contents

2	公司資料	30	Corporate Information
3	董事局主席報告書	31	Chairman's Statement
9	綜合損益賬	38	Consolidated Profit and Loss Account
10	綜合資產負債表	39	Consolidated Balance Sheet
11	簡明綜合現金流量表	40	Condensed Consolidated Cash Flow Statement
12	綜合已確認損益表	41	Consolidated Statement of Recognised Gains & Losses
13	中期財務報表賬項說明	42	Notes to the Interim Financial Statements
19	財務檢討	48	Financial Review
20	其他資料	49	Other Information

# 2001/02

## 中期報告 Interim Report

## 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

#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

Hong Kong

Telephone: (852) 2827 8111

Facsimile: (852) 2827 2862

Web site: [www.shkp.com.hk](http://www.shkp.com.hk)

E-mail: [shkp@shkp.com.hk](mailto:shkp@shkp.com.hk)

## AUDITORS

Deloitte Touche Tohmatsu

## REGISTRARS

Central Registration Hong Kong 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

The Bank of Tokyo-Mitsubishi, Ltd

Industrial and Commercial Bank of China

Standard Chartered Bank

UFJ Bank Limited

Mizuho Financial Group

BNP Paribas

## SOLICITORS

Woo, Kwan, Lee & Lo

Johnson Stokes & Master

Winston Chu & Company

# CHAIRMAN'S STATEMENT

I am pleased to present my interim report to the shareholders.

## INTERIM RESULTS

The Group's unaudited profit after tax and minority interests for the six months ended 31st December 2001 was HK\$3,177 million, compared with HK\$5,301 million for the same period last year. Earnings per share were HK\$1.32, compared with HK\$2.21 for the corresponding period last year.

## DIVIDEND

The Directors have declared an interim dividend of HK\$0.55 per share, the same as for the corresponding period last year. The dividend will be payable on 8th April 2002, to shareholders whose names appear on the Register of Members of the Company on 8th April 2002.

## BUSINESS REVIEW

### Property Sales

During the six months ended 31st December 2001, total property sales generated by the Group, both as principal and agent, were HK\$7,563 million. The comparable figure for last year was HK\$13,769 million, which included the sale of The Leighton Hill. Major projects sold during the period under review were Villa by the Park in Yuen Long and the Group's attributable interests in Park Central Phase 1, Oscar by the Sea Phase 2 and Ocean Shores Phase 2, all in Tseung Kwan O, along with The Belcher's Phase 2 in western Mid-Levels.

During the first half of the 2001/02 financial year, the Group completed the following five projects with an attributable gross floor area of 2.7 million square feet:

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
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
<b>Total</b>				<b>2,697,000</b>

More than 85 per cent of the residential units completed during the first half of the current financial year has been sold.

### Land Bank

Since the last financial year, the Group added one residential site to its land bank with a gross floor area of about half a million square feet, through land use conversion:

Project	Site Area (square feet)	Group's Interest (%)	Usage	Attributable Gross Floor Area (square feet)
Tin Ping Shan, Sheung Shui	173,000	100	Residential	537,000

The Group currently owns a 52 million square-foot land bank in Hong Kong, comprising 19.3 million square feet of completed investment properties and 32.7 million square feet of properties under development. In addition, the Group also owns over 21 million square feet of agricultural land in terms of site area. The majority of these sites are located along existing or planned railway lines, and are being converted into other uses, mainly for residential development.

### Property Development

Hong Kong faced challenging economic conditions in the wake of the global economic downturn, particularly after the events of September 11 in the US. At the same time, the local job market has been adversely affected. Nevertheless, since last October the residential market has shown improvements in transaction volume compared to the pre-attack level. Prices have also been relatively stable in recent months. The key drivers in the market are end-users; mainly first-time buyers.

Homebuyers' confidence has improved as a result of the Government's more pro-market housing policy. While more subsidised housing loans were introduced, the sale of HOS units was suspended until June 2002. In addition, mortgage financing is very favourable to homebuyers, with the mortgage interest rate at a historic low of 2.625 per cent, and affordability is at its strongest level ever. Monthly mortgage instalments are lower than lease payments, so it is more attractive for people to buy than rent. Together, these factors have underpinned the demand for private residential property.

The Group continues to expand its property development business in Hong Kong with the aim of building more residential floor area for sale over time. It will continue to develop premium-quality, large-scale projects with comprehensive facilities, providing a wide selection of unit sizes with a focus on small-to-medium flats. The Group will also work to convert agricultural land to residential and other uses. Taking advantage of market conditions, in November 2001 the Group reached an agreement on land premiums of HK\$2.1 billion for seven development sites.

The Group continues to use various means to enhance development returns. More effort has been devoted to branding, which has helped to improve the marketability and pricing of projects, and on controlling construction costs without compromising on quality.

Although the completion of residential properties by attributable gross floor area in the first half of the current financial year is expected to be higher than in the second half (listed overleaf), the coming recognition of profit from The Leighton Hill, which will be completed shortly, should mean the profit from property sales in the second half will be significantly higher than that for the period under review. As a result, property development profit for the full year will show satisfactory performance.

	Residential	Shopping Centre (million square feet)	Office	Total
<b>First Half Year</b>				
For Sale	2.7	–	–	2.7
For Investment	–	–	–	–
Sub-Total	2.7	–	–	2.7
<b>Second Half Year</b>				
For Sale	1.8	–	*	1.8
For Investment	–	*	0.1	0.1
Sub-Total	1.8	*	0.1	1.9
<b>Full Year Total</b>	<b>4.5</b>	<b>*</b>	<b>0.1</b>	<b>4.6</b>

\* less than 100,000 square feet

## Property Investment

Notwithstanding difficult conditions in the leasing market, occupancy of the Group's rental portfolio is about 94 per cent. During the period under review, gross rental income, including the Group's share from jointly-controlled entities, increased by 3.1 per cent over the corresponding period last year to HK\$2,988 million.

The Group recently created the new 'Signature Homes' brand to handle leasing of all its luxury residential developments, in order to strengthen its market-leading position further and improve rental values. Signature Homes offers 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.

Despite sluggish consumer spending, lease renewals in the Group's retail properties are comparatively resilient, as the majority of the tenants are in new towns supplying daily necessities to nearby residents. The increasing two-way traffic between the Mainland and Hong Kong will continue to benefit those of the Group's shopping centres located along the railway network. The Group will continue to enhance the rental value of its shopping centres through constant reviews of tenant mixes, the introduction of new themes and facilities and providing better service to shoppers.

Two International Finance Centre, located right above the Airport Railway Hong Kong Station, comprises office, shopping centre and hotel developments that are scheduled for completion in phases by the end of 2004. The 88-storey office building, incorporating interactive technology and facilities to meet the needs of modern business, will be completed in the second quarter of 2003. The six-star hotel complex, with a 400-room tower and a 600-room tower for long-staying guests, will be the first Four Seasons-branded hotel in Hong Kong. The Group owns a 47.5 per cent interest in the project.

Kowloon Station Development Packages 5, 6 and 7 are situated in the future commercial and cultural hub of Hong Kong. The development consists of residential and commercial complexes incorporating the finest design and the latest technology and facilities. The Group is committed to making the project a new landmark for the



territory. Foundation work has begun, and the whole project is scheduled for completion in phases by the end of 2007. Together with Package 3, the Group will have two million square feet of residential properties for sale in the Kowloon Station Development. Pre-sale of the residential units will begin in the second half of 2003.

Strategically located at the centre of Kowloon East, Millennium City is one of the major commercial hubs in Hong Kong. The construction of Phase 3 office space is under way and pre-leasing will commence in the second half of 2002.

The recent slowdown in demand for new office space in Hong Kong is expected to be short term. With China's entry to the WTO, rapid growth on the Mainland and an anticipated improvement in the local economy, coupled with the relatively limited supply of new offices in the next two years, the office market is well positioned for a recovery over the medium term. With Hong Kong being an international centre for finance, commerce, trade and tourism, and more business opportunities arising from the further opening-up of Mainland markets, the leasing demand for high-quality residential, office and retail properties is expected to rise over time.

The Group continues to offer superior customer service to meet tenants' needs, pursuing its goal of becoming their landlord of first choice. The Group is confident that its premium, widely-diversified rental portfolio will continue to perform well over the long term. To enhance returns, the Group will optimise the tenant mix in its portfolio and consider disposing of some non-core properties if appropriate.

### Information Technology and Telecommunications

#### *SUNeVision*

SUNeVision continued to take positive steps to facilitate growth in its core businesses of data infrastructure and enabling services. With a major restructuring programme and rigorous cost-cutting measures implemented during the period, SUNeVision recorded a significant improvement in operating results. Recognising the difficulties in the technology sector, the company took a highly-conservative and prudent approach, and made a one-off provision on its direct investments in technology funds and companies during the period under review. Since the restructuring, the Group is confident that SUNeVision is well placed with its focused and sound business strategy to attain profitability in the near future. With its strong management team and the full commitment of shareholders, the company will capitalise on its healthy financial position to exploit new investment opportunities at the appropriate time.

#### *SmarTone*

SmarTone's losses for the half year ended 31st December 2001 were substantially reduced compared to the same period last year. Subscriber numbers increased to over one million as of 31st December 2001. The realignment of SmarTone's business to focus on its core mobile operations and customer satisfaction, along with the stringent cost controls put in place in July last year, have had a positive impact on overall performance. The company's GPRS service was launched commercially in August 2001, and SmarTone is dedicated to developing new services for corporate and mass customers that will ride on this new technology.

Despite the current economic situation, mobile communications have become an indispensable part of Hong Kong people's lives. SmarTone pledges to deliver compelling and competitive services that create value for its customers. With a focused business strategy and management, and strong reserves of HK\$3.4 billion in cash and debt securities, SmarTone is well positioned to face and overcome new challenges. The Group is confident in SmarTone's future growth prospects, and is committed to holding the company as long-term investment.



### Transportation and Infrastructure

#### *Kowloon Motor Bus*

The Kowloon Motor Bus Holdings Limited (KMB) recorded an increase in revenue and strong earnings growth in 2001. The result was mainly due to a satisfactory increase in patronage of its franchised public bus operation and greater operational efficiency. KMB will continue to raise service standards by introducing more air-conditioned buses and improved support facilities, as well as through the deployment of innovative IT systems. The relocation of KMB's bus depot from Lai Chi Kok to the newly-completed facility on the West Kowloon reclamation will take place in the second quarter of 2002 and the redevelopment of the former site into a residential complex is scheduled for completion by 2005. KMB is continuously striving to provide passengers with efficient, reliable and comfortable bus services, and is committed to its responsibility for maintaining a healthy environment. RoadShow Holdings Limited, a listed subsidiary of KMB, will continue to strengthen its position in the outdoor media industry by providing passengers with enhanced information.

#### *Other Infrastructure Business*

The Wilson Group continued the expansion of its car park management business, which now covers over 70,000 parking bays. Route 3 (Country Park Section) recorded steady performance in traffic volume during the period under review.

The River Trade Terminal in Tuen Mun has been operating smoothly, with an improvement in cargo volume. The Airport Freight Forwarding Centre is also doing well. Construction of two berths at Container Terminal 9 is under way, with completion scheduled in phases during 2003 and 2004.

The Group's infrastructure projects are all in Hong Kong and will provide consistent returns over the long term.

### Hotels

The performance of the Group's three hotels was satisfactory, despite lacklustre market conditions, in particular after the tragedy in the United States last year. During the period under review, the hotels achieved occupancy rates ranging from 85 per cent to 90 per cent, above the industry average.

The relaxation of quotas for visitors from the Mainland to Hong Kong will provide a new stimulus to tourist arrivals. The Government has actively promoted Hong Kong as a regional tourism hub by a variety of means. In addition to the construction of Disneyland, new tourist attractions in various locations are being developed, and these should add to the attractions for incoming visitors. The number of business travellers to Hong Kong is expected to increase over time with China's accession to the WTO and the 2008 Olympic Games in Beijing. The strategic expansion of the Group's hotel portfolio, with the development of six-star hotels in both the Hong Kong and Kowloon Airport Railway stations, will benefit from the long-term growth expected in Hong Kong's tourism industry.

### Mainland Business

2001 was a remarkable year for the Mainland. Despite a challenging global economy, China achieved good economic growth and successfully joined the WTO. The performance of the Group's investment properties on the Mainland has been satisfactory. Occupancy of both Sun Dong An Plaza in Beijing and the office space in Shanghai Central Plaza remains high at 96 per cent. China's accession to the WTO will make it increasingly more

attractive to Hong Kong and foreign investors. Capitalising on this favourable environment, the Group is seeking opportunities for business expansion on the Mainland, selectively investing in Beijing, Shanghai, Guangzhou and Shenzhen.

### Corporate Finance

The Group continues to adhere to its prudent financial management policy, with high interest coverage and low gearing. As at 31st December 2001, its net debt to shareholders' funds ratio was 17 per cent, and it has ample undrawn facilities on a committed basis for future business expansion. All the Group's credit facilities are unsecured. Its exposure to foreign currency risk is negligible, given that nearly 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 an associate and joint venture companies.

In line with its policy of lengthening its debt maturity profile, the Group arranged a seven-year, HK\$7.5 billion revolving credit and term loan facility in August 2001. The new facility was used to refinance short-term debt and to meet future financing requirements. The Group will take advantage of the current low interest rates to lock in long-term financing at competitive rates, as and when appropriate.

### Corporate Governance

The Group aims to maintain high standards of corporate governance. This contributes to shareholder value by ensuring that corporate decisions are made in a manner that is accountable to shareholders. Its clear corporate ownership and structure, together with the proactive policy of promoting investor communication, will further enhance transparency. The Group will continue to take further steps to enhance corporate governance.

### Customer Service and Environmental Protection

Offering the finest products and customer service remains a top priority. In line with this, the Group launched a number of new property handover initiatives, and through its cross-departmental Property Liaison Team, introduced a one-stop service for new homebuyers.

The Group has always been committed to protecting the environment at every stage of the development process, from design, construction and choice of materials, to property management. Hong Yip and Kai Shing, members of the Group involved in property management, have initiated large-scale waste recycling programmes in the properties they manage, which are fully supported by residents and tenants. The two companies strive to offer the best all-round customer care, and both have won awards in several leading management service competitions.

Membership in the SHKP Club has grown to about 150,000. The Club is committed to promoting two-way communication and offering comprehensive property-related services and privileges that meet members' needs.

### PROSPECTS

Although the global economic environment remains challenging, Hong Kong has become more cost competitive in terms of wages and rents, and past adjustments have put it in a good position to ride the next cyclical upswing. Business opportunities on the Mainland will continue to abound with entry to the WTO, and Central Government initiatives will keep stimulating domestic demand. With the anticipated gradual recovery of the US economy and low interest rate environment, Hong Kong is likely to show an economic improvement later this

year. In addition, the Hong Kong Government is actively promoting high value-added economic activities, particularly in the areas of financial services, logistics, tourism and business services. This should add impetus to the local economy over the medium to long term.

This anticipated economic improvement, the strongest level of affordability on record, historically low mortgage interest rates and monthly mortgage payments falling below monthly rents are positive factors for the housing market. The Housing Authority's recent decision to reduce the income ceiling for subsidised housing should also increase the demand for private housing. In addition, decreased production and sales of HOS housing will help to improve the overall residential market in future. The number of new units offered for pre-sale is likely to remain relatively steady for the next few months and is expected to slow down modestly in 2003. All these factors suggest a better outlook for the residential market in 2002.

The Group is confident in the long-term prospects for the Hong Kong property market in light of favourable demographics, solid economic fundamentals and a more pro-market Government housing policy. The current point in the economic cycle offers good potential for business expansion. With a strong financial position and consistent land bank policy, the Group is in an advantageous position to seize opportunities for growth and become stronger with the coming economic recovery.

The Group is committed to strengthening its premium brand by providing superior-quality products and tailor-made customer service. It will continue to excel, enhancing its competitiveness and leading position. The Group will also emphasise training to equip staff with the skills to deal with business challenges and competition. Together, all this will further strengthen the quality of properties in terms of design, layout, finishes, clubhouse facilities and management service, to meet customers' aspirations for an ideal home.

The Group will continue to launch residential projects for pre-sale according to schedule. Major projects to go on the market in the next nine months include Park Central Phase 2 in Tseung Kwan O, Liberté in Cheung Sha Wan, Ocean Shores Phase 3 in Tseung Kwan O, Park Island on Ma Wan, 1 Po Shan Road in Mid-Levels and Aegean Coast in Tuen Mun.

Approximately 85 per cent of the residential units scheduled for completion in the current financial year has been pre-sold. With completion of The Leighton Hill expected shortly, the contribution from property sales in the second half of the current financial year will be higher than that in the period under review. Barring unforeseen circumstances, the Group's results for the current financial year will be satisfactory.

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, 12th March 2002

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 31st December 2001 (Expressed in millions of Hong Kong dollars)

		(Unaudited) Six months ended 31st December	
	Note	2001	2000
<b>Turnover</b>	2(a)	<b>9,522</b>	10,466
Cost of sales		<b>(5,780)</b>	(4,738)
Gross profit		<b>3,742</b>	5,728
Other revenue		<b>196</b>	208
Selling and marketing expenses		<b>(202)</b>	(254)
Administrative expenses		<b>(534)</b>	(558)
<b>Profit from operations</b>	2(a)	<b>3,202</b>	5,124
Finance cost		<b>(379)</b>	(946)
Finance income		<b>62</b>	271
Net finance cost	3	<b>(317)</b>	(675)
Profit on disposal of investments		<b>23</b>	282
Provision for impairment of investments	4	<b>(356)</b>	–
Restructuring costs	4	<b>(117)</b>	–
Share of profits less losses of associates		<b>660</b>	488
Share of profits less losses of jointly controlled entities		<b>425</b>	493
	2(b)	<b>1,085</b>	981
<b>Profit before taxation</b>	5	<b>3,520</b>	5,712
Taxation	6	<b>(444)</b>	(402)
<b>Profit after taxation</b>		<b>3,076</b>	5,310
Minority interests		<b>101</b>	(9)
<b>Profit attributable to shareholders</b>		<b>3,177</b>	5,301
 <b>Proposed interim dividend</b>		 <b>1,321</b>	 1,321
(Expressed in Hong Kong dollars)			
<b>Earnings per share</b>	7	<b>\$1.32</b>	\$2.21
<b>Dividend per share</b>		<b>\$0.55</b>	\$0.55

# CONSOLIDATED BALANCE SHEET

As at 31st December 2001 (Expressed in millions of Hong Kong dollars)

	Note	(Unaudited) 31st December 2001	(Restated) (Audited) 30th June 2001
<b>Non-current assets</b>			
Fixed assets	8	94,852	94,698
Associates		5,810	5,043
Jointly controlled entities		20,917	20,029
Investments	9	3,280	2,192
Loans receivable		1,772	1,522
Land pending development		14,921	17,324
		<u>141,552</u>	<u>140,808</u>
<b>Current assets</b>			
Stocks		26,783	25,334
Trade and other receivables	10	3,137	3,340
Marketable securities		408	399
Bank balances and deposits		6,406	9,061
		<u>36,734</u>	<u>38,134</u>
<b>Current liabilities</b>			
Bank and other borrowings		(4,107)	(4,997)
Trade and other payables	11	(9,848)	(9,345)
Deposits received on sale of properties		(6,912)	(8,013)
Taxation		(2,591)	(2,574)
		<u>(23,458)</u>	<u>(24,929)</u>
<b>Net current assets</b>		<u>13,276</u>	<u>13,205</u>
<b>Total assets less current liabilities</b>		<u>154,828</u>	<u>154,013</u>
<b>Non-current liabilities</b>			
Bank and other borrowings		(24,197)	(23,995)
<b>Minority interests</b>		<u>(1,507)</u>	<u>(1,610)</u>
<b>NET ASSETS</b>		<u>129,124</u>	<u>128,408</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	12	1,201	1,201
Share premium and reserves		126,602	124,806
Proposed interim dividend		1,321	–
Proposed final dividend		–	2,401
<b>SHAREHOLDERS' FUNDS</b>		<u>129,124</u>	<u>128,408</u>

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31st December 2001 (Expressed in millions of Hong Kong dollars)

	(Unaudited) Six months ended 31st December	
	2001	2000
<b>Net cash inflow from operating activities</b>	<b>3,917</b>	4,353
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(2,785)</b>	(3,526)
<b>Tax paid</b>	<b>(304)</b>	(448)
<b>Net cash outflow from investing activities</b>	<b>(2,815)</b>	(3,847)
<b>Net cash outflow before financing</b>	<b>(1,987)</b>	(3,468)
<b>Net cash inflow/(outflow) from financing</b>	<b>(637)</b>	2,044
<b>Decrease in cash and cash equivalents</b>	<b>(2,624)</b>	(1,424)
<b>Cash and cash equivalents at beginning of period</b>	<b>9,008</b>	10,354
<b>Cash and cash equivalents at end of period</b>	<b>6,384</b>	8,930
<b>Analysis of the balances of cash and cash equivalents at end of period</b>		
Bank balances and deposits	6,406	9,037
Bank overdrafts	(22)	(107)
	<b>6,384</b>	8,930

# CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the six months ended 31st December 2001 (Expressed in millions of Hong Kong dollars)

	(Unaudited) Six months ended 31st December	
	2001	2000
Exchange differences on translation of the financial statements of foreign entities	—	5
<b>Net gains not recognised in the consolidated profit and loss account</b>	—	5
Profit attributable to shareholders for the period	<b>3,177</b>	5,301
Realised surplus on disposal of investment properties transferred to profit and loss account	<b>(60)</b>	(243)
<b>Total recognised gains and losses</b>	<b>3,117</b>	5,063
Net reserves arising on consolidation	—	23
	<b>3,117</b>	5,086



# NOTES TO THE INTERIM FINANCIAL STATEMENTS

(Expressed in millions of Hong Kong dollars)

## 1. BASIS OF PREPARATION

The condensed interim financial statements have been prepared in accordance with the Statement of Standard Accounting Practice (SSAP) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and the disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 30th June 2001, except the Group has adopted the following accounting policies in accordance with a number of new and revised SSAPs.

In accordance with SSAP 9 (Revised) “Events after the Balance Sheet Date”, dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component of equity on the face of the balance sheet. This change in accounting policy has been applied retrospectively, resulting in an increase of HK\$2,401 million in shareholders’ funds as at 1st July 2001, representing the proposed final dividend for the year ended 30th June 2001.

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 period’s presentation.

In accordance with SSAP 30 “Business Combinations”, goodwill arising on acquisition of subsidiaries, associates and jointly controlled entities after 1st July 2001 is recognised 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 (negative goodwill) previously eliminated against (credited to) reserves. However, any impairment arising on such goodwill is recognised 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 recognised in the profit and loss account is insignificant.

The condensed interim financial statements are unaudited, but have been reviewed by the Audit Committee.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

(Expressed in millions of Hong Kong dollars)

### 2. SEGMENT INFORMATION

#### (a) Turnover and profit from operations

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

	Turnover Six months ended 31st December		Profit from Operations before Finance Cost Six months ended 31st December	
	2001	2000	2001	2000
Property sales	<b>4,924</b>	6,388	<b>878</b>	2,860
Rental income	<b>2,736</b>	2,651	<b>2,090</b>	2,003
Hotel operation	<b>283</b>	307	<b>94</b>	108
Other business activities	<b>1,579</b>	1,120	<b>192</b>	190
	<b>9,522</b>	10,466	<b>3,254</b>	5,161
Other revenue			<b>196</b>	208
Unallocated administrative expenses			<b>(248)</b>	(245)
Profit from operations			<b>3,202</b>	5,124

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.

Turnover and contribution to profit from operations outside Hong Kong are insignificant.

#### (b) Share of profits less losses of associates and jointly controlled entities

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

	Six months ended 31st December	
	2001	2000
Property sales	<b>632</b>	753
Rental income	<b>81</b>	106
Transportation, telecommunication and others	<b>372</b>	122
	<b>1,085</b>	981

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

(Expressed in millions of Hong Kong dollars)

### 3. NET FINANCE COST

	Six months ended 31st December	
	2001	2000
Interest expenses on		
Bank loans and overdrafts	414	814
Other loans wholly repayable within 5 years	155	339
Other loans wholly repayable after 5 years	33	66
	<u>602</u>	<u>1,219</u>
Less : Portion capitalised	(223)	(273)
	<u>379</u>	<u>946</u>
Interest income on bank deposits	(62)	(271)
	<u>317</u>	<u>675</u>

### 4. PROVISION FOR IMPAIRMENT OF INVESTMENTS AND RESTRUCTURING COSTS

During the period, SUNeVision Holdings Limited carried out a restructuring programme of its business, incurring one-off costs amounting to HK\$117 million and also made a HK\$356 million provision for technology investments.

### 5. PROFIT BEFORE TAXATION

During the period, depreciation charged in respect of the Group's fixed assets amounted to HK\$130 million (2000: HK\$125 million).

### 6. TAXATION

	Six months ended 31st December	
	2001	2000
Hong Kong		
Group	321	322
Associates	53	58
Jointly controlled entities	70	22
	<u>444</u>	<u>402</u>

Hong Kong profits tax is provided at the rate of 16 per cent (2000: 16 per cent) based on the estimated assessable profits for the period.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

(Expressed in millions of Hong Kong dollars)

### 7. EARNINGS PER SHARE

The calculation of earnings per share is based on HK\$3,177 million (2000: HK\$5,301 million) being profit attributable to shareholders and on 2,401 million shares (2000: 2,401 million shares) in issue during the period.

No diluted earnings per share is presented for the six months ended 31st December 2001 and 2000 as the exercises of all the share options outstanding during the periods have no dilutive effect on the earnings per share.

### 8. FIXED ASSETS

During the period, additions to fixed assets amounted to HK\$482 million and net book value of fixed assets disposed amounted to HK\$199 million.

### 9. INVESTMENTS

	31st December 2001	30th June 2001
Listed held-to-maturity debt securities, overseas	1,778	532
Unlisted held-to-maturity debt securities	210	61
Listed equity securities, Hong Kong	511	525
Unlisted equity securities	688	1,004
	<u>3,187</u>	<u>2,122</u>
Amounts due from investee companies	99	98
Amounts due to investee companies	(6)	(28)
	<u>3,280</u>	<u>2,192</u>
Market value		
Listed overseas	1,816	544
Listed in Hong Kong	503	580
	<u>2,319</u>	<u>1,124</u>

### 10. TRADE AND OTHER RECEIVABLES

Consideration in respect of sold properties are payable by the purchasers pursuant to the terms of the sale and purchase agreements. Monthly rent 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 are trade debtors of HK\$1,293 million (30th June 2001: HK\$1,373 million), of which 69 per cent aged less than 60 days, 6 per cent between 61 to 90 days and 25 per cent more than 90 days (30th June 2001: 80 per cent, 4 per cent and 16 per cent respectively).

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

(Expressed in millions of Hong Kong dollars)

### 11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors of HK\$504 million (30th June 2001: HK\$458 million), of which 57 per cent aged less than 60 days, 8 per cent between 61 to 90 days and 35 per cent more than 90 days (30th June 2001: 86 per cent, 1 per cent and 13 per cent respectively).

### 12. SHARE CAPITAL

There were no movements in the share capital of the Company during the period under review.

### 13. RELATED PARTY TRANSACTIONS

The following is a summary of significant transactions during the period between the Group and related parties, which were carried out at similar terms to other customers or suppliers and at market prices:

	Associates Six months ended 31st December		Jointly Controlled Entities Six months ended 31st December	
	2001	2000	2001	2000
Interest income	37	73	84	77
Rental income	45	31	–	2
Other revenue from services rendered	43	28	272	518
Purchase of goods and services	–	–	310	165

### 14. CONTINGENT LIABILITIES AND COMMITMENTS

The Group had contingent liabilities and commitments, so far as not provided for in the consolidated financial statements, as follows:

	31st December 2001	30th June 2001
(a) Capital commitments in respect of fixed assets		
Contracted but not provided for	1,673	1,685
Authorised but not contracted for	346	363
(b) Group's share of capital commitments of joint ventures:		
Contracted but not provided for	2,728	3,629
Authorised but not contracted for	339	156

(c) Guarantees given to banks and financial institutions in respect of facilities drawn by an associate and jointly controlled entities amounted to approximately HK\$76 million (30th June 2001: HK\$1,046 million) and HK\$4,850 million (30th June 2001: HK\$6,652 million) respectively.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

(Expressed in millions of Hong Kong dollars)

### 15. FINANCIAL INSTRUMENTS

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

	Notional Principal Amount	
	31st December 2001	30th June 2001
Interest rate swaps		
– Less than 1 year	675	675
– 1 to 5 years	2,250	1,700
– After 5 years	800	1,250
	<u>3,725</u>	<u>3,625</u>
Currency swaps		
– After 5 years	<u>234</u>	<u>234</u>

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.

### 16. 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.

## FINANCIAL RESOURCES AND LIQUIDITY

Shareholders' funds as at 31st December 2001 totalled HK\$129,124 million (30th June 2001 : HK\$128,408 million). At 31st December 2001, the Group's net borrowings, made up of HK\$28,304 million in borrowings and HK\$6,406 million in bank deposits and balances, amounted to HK\$21,898 million (30th June 2001 : HK\$19,931 million). The increase in net borrowings was mainly due to further fundings made to two joint venture companies to finance the repayment of bank loans for property projects namely, Ocean Shores and The Belcher's. As a result, the aggregate bank borrowings of joint venture companies have significantly reduced. Other than those borrowings of an associate and jointly controlled entities in total sum of HK\$4,926 million (30th June 2001: HK\$7,698 million) for which the Group has given guarantees, the Group has no other off-balance sheet or contingent liability.

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:

	<b>31st December 2001</b>	30th June 2001
	<b>HK\$M</b>	HK\$M
Repayable:		
Within 1 year	<b>4,107</b>	4,997
After 1 year but within 2 years	<b>7,693</b>	6,680
After 2 years but within 5 years	<b>6,912</b>	10,473
After 5 years	<b>9,592</b>	6,842
	<b>28,304</b>	28,992

Financial gearing at 31st December 2001, measured by net borrowings to shareholders' funds, was 17.0 per cent (30th June 2001 : 15.5 per cent). Profit from operations covered 5.9 times the net interest expenses before capitalization (2000 : 5.4 times).

All the Group's funding activities are centrally managed and controlled at the corporate level. The Group's treasury and financing policies remain unchanged from those described in the latest annual report.

As the Group's borrowings are primarily denominated in Hong Kong dollars, there is no significant exposure to foreign exchange rate fluctuations. The Group's borrowings are principally arranged on a floating rate basis. For fixed rate notes issued under the Euro Medium Term Note Programme, interest rate swaps have been utilised to convert the rates into floating rate basis. The use of financial derivative instruments is strictly controlled and solely for management of the Group's interest rate and foreign exchange rate exposures. As of 31st December 2001, total outstanding interest rate swaps and currency swaps amounted to HK\$3,725 million (30th June 2001: HK\$3,625 million) and HK\$234 million (30th June 2001: HK\$234 million) respectively.

## EMPLOYEES

As of 31st December 2001, the Group had about 18,000 employees. The Group provides competitive remuneration packages to employees commensurable to market level in the business in which the Group operates and their qualifications. Incentive schemes composed of discretionary bonus and other merit payments to reward employees based on performance are also offered. The Group also provides retirement schemes, medical benefits and both in-house and external training programmes for all staff.



## OTHER INFORMATION

### DIRECTORS' INTERESTS IN EQUITY SECURITIES

As at 31st December 2001, 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	–	–	–	1,075,087,522*	1,075,087,522
Lee Shau-kee	486,340	–	–	343,000	829,340
Kwok Ping-kwong, Thomas	1,901,281	304,065	–	1,073,137,214*	1,075,342,560
Kwok Ping-luen, Raymond	–	1,000	–	1,076,280,895*	1,076,281,895
Kwan Cheuk-yin, William	123,780	–	–	–	123,780
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. Walter Kwok Ping-sheung, Thomas Kwok Ping-kwong and Raymond Kwok Ping-luen. Of those shares in the Company, 1,053,103,347 shares represented the same interests and were therefore duplicated amongst those three directors.

#### 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
Lo Chiu-chun, Clement	2,771	–	–	–	2,771
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. Walter Kwok Ping-sheung, Thomas Kwok Ping-kwong and Raymond Kwok Ping-luen. 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. Walter Kwok Ping-sheung, Thomas Kwok Ping-kwong and Raymond Kwok Ping-luen 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. Walter Kwok Ping-sheung, Thomas Kwok Ping-kwong and Raymond Kwok Ping-luen 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. Walter Kwok Ping-sheung, Mr. Raymond Kwok Ping-luen 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. Raymond Kwok Ping-luen had personal interests of 692,846 ordinary shares in the equity securities of SmarTone Telecommunications Holdings Limited.
- 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
SmarTone Telecommunications Holdings Limited	179,500 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% and 15% 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% interest.

Those shares in Sun Hung Kai Properties Limited and SmarTone Telecommunications Holdings Limited were beneficially owned by a subsidiary of The Hong Kong and China Gas Company Limited.

Mr. 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. Shares 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 detailed in the Share Option Schemes section stating below.

As the Company has not issued any debt securities, therefore save as disclosed above and in the Share Options Schemes stating 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 31st December 2001 as recorded in the register maintained under Section 29 of the SDI Ordinance. Furthermore, during the period, 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 adopted a share option scheme "SHKP Share Options", pursuant to which the Company may grant, for a consideration of HK\$1 for each grant, options to any full-time employee of the Company or its subsidiaries including executive directors of the Company or its subsidiaries to subscribe for shares in the Company. The subscription price of the shares under the SHKP Share Options will be the highest of (i) the closing price of the Company's share as stated in the Stock Exchange's daily quotation on the date of the offer; (ii) the average closing price of the Company's share as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of offer and (iii) the nominal value of the Company's share. The maximum number of shares in respect of which options may be granted under the SHKP Options shall not exceed 10% of the issued share capital of the Company from time to time.

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 option will expire.

The following shows the outstanding positions of the directors and chief executive as at 31st December 2001 with respect to their SHKP Share Options:

Name of Director	Date of Grant	Exercise Price (HK\$)	Balance as at 1.7.2001	Number of Share Options			Balance as at 31.12.2001
				Granted during the Period	Exercised during the Period	Cancelled/ Lapsed during the Period	
Kwok Ping-sheung, Walter (Chairman and Chief Executive)	16.7.2001	70.00	–	75,000	–	–	75,000
Kwok Ping-kwong, Thomas	16.7.2001	70.00	–	75,000	–	–	75,000
Kwok Ping-luen, Raymond	16.7.2001	70.00	–	75,000	–	–	75,000
Law King-wan	16.7.2001	70.00	–	75,000	–	–	75,000
Chan Kai-ming	16.7.2001	70.00	–	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>
Kwong Chun	16.7.2001	70.00	–	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>
Wong Chik-wing, Mike	15.2.2000	70.00	150,000	–	–	–	150,000
	16.7.2001	70.00	–	75,000	–	–	<u>75,000</u>

## OTHER INFORMATION

A summary of the movements during the six months ended 31st December 2001 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	Exercise Price (HK\$)	Number of Share Options				Balance as at 31.12.2001
		Balance as at 1.7.2001	Granted during the Period	Exercised during the Period	Cancelled/Lapsed during the Period	
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 of The Stock Exchange of Hong Kong Limited (“the Listing Rules”).

Pursuant to Rule 17.08 of the Listing Rules, the valuation of the SHKP Share Options granted during the six months ended 31st December 2001 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 31.12.2001 (HK\$)
Kwok Ping-sheung, Walter (Chairman and Chief Executive)	75,000	1,931,739	1,549,393
Kwok Ping-kwong, Thomas (Director)	75,000	1,931,739	1,549,393
Kwok Ping-luen, Raymond (Director)	75,000	1,931,739	1,549,393
Law King-wan (Director)	75,000	1,931,739	1,549,393
Chan Kai-ming (Director)	75,000	1,931,739	1,549,393
Chan Kui-yuen, Thomas (Director)	75,000	1,931,739	1,549,393
Kwong Chun (Director)	75,000	1,931,739	1,549,393
Wong Yick-kam, Michael (Director)	75,000	1,931,739	1,549,393
Wong Chik-wing, Mike (Director)	75,000	1,931,739	1,549,393
Aggregate Total of Employees	1,446,000	37,243,928	29,872,292
<b>Total</b>	<b>2,121,000</b>	<b>54,629,579</b>	<b>43,816,827</b>

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

## OTHER INFORMATION

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

- 1. Risk Free Rate** : 5.54%, being the approximate yield of 5-year Exchange Fund Note traded on 16th July 2001.
- 2. Expected Volatility**: 42.48%, being the annualised volatility of the closing price of the shares of the Company from 16th July 2000 to 15th July 2001.
- 3. Expected Dividend:**
  - (i) Yield : 2.24%, being 2001 prospective dividend yield of the shares of the Company.
  - (ii) Growth Rate : -7.1% p.a., being 5-year historical dividend growth rate of the Company.
- 4. Expected Life of the SHKP Share Options is 5 years with the following assumptions:**
  - (i) There is no material difference between the expected volatility over the whole life of the SHKP Share 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 SHKP Share Options and the historical dividend growth rate of the Company over the previous 5 years.

According to the Black-Scholes model\*, the total value of the SHKP Share Options was estimated at HK\$43,816,827 as at 31st December 2001 with the following variables and assumptions:

- 1. Risk Free Rate** : 5.26%, being the approximate yield of 5-year Exchange Fund Note traded on 31st December 2001.
- 2. Expected Volatility**: 44.19%, being the annualised volatility of the closing price of the shares of the Company from 1st January 2001 to 31st December 2001.
- 3. Expected Dividend:**
  - (i) Yield : 2.54%, being 2001 prospective dividend yield of the shares of the Company.
  - (ii) Growth Rate : -7.1% p.a., being 5-year historical dividend growth rate of the Company.
- 4. Expected Life of the SHKP Share Options is 4.3 years with the following assumptions:**
  - (i) There is no material difference between the expected volatility over the whole life of the SHKP Shares Options and the historical volatility of the shares of the Company over the period of 1st January 2001 to 31st December 2001.
  - (ii) There is no material difference between the dividend growth rate over the whole life of the SHKP Share Options and the historical dividend growth rate of the Company over the previous 5 years.

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

\* 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. SUNeVision Holdings Limited Share Options

Pursuant to the share option scheme of SUNeVision ("SUNeVision Share Options"), the following directors and chief executive of the Company were granted share options for nominal consideration 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 31.12.2001
			Balance as at 1.7.2001	Granted during the Period	Exercised during the Period	Cancelled/Lapsed during the Period	
Kwok Ping-sheung, Walter (Chairman and Chief Executive)	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 relevant scheme as to:

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

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.

## OTHER INFORMATION

A summary of the movements during the six months ended 31st December 2001 of the share options granted under the SUNeVision 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	Exercise Price (HK\$)	Balance as at 1.7.2001	Number of Share Options			Balance as at 31.12.2001
			Granted during the Period	Exercised during the Period	Cancelled/ Lapsed during the Period	
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 Options any share options to any other persons as required to be disclosed under Rule 17.07 of the Listing Rules.

### 3. Share Option Schemes of Other Subsidiaries

In addition to SHKP and SUNeVision Share Options, the Group adopted two more share option schemes which were approved for two subsidiaries of the Company, iAdvantage Limited and SUNeVision Red-Dots Limited, allowing their respective boards of directors the right to grant to their full-time employees and executive directors options to subscribe for shares in these two companies, in each case in aggregate up to 10% of the issued capital of the respective companies from time to time. No such option shares have been granted to any person since their adoption as required to be disclosed under the Listing Rules.

### SUBSTANTIAL SHAREHOLDERS

As at 31st December 2001, the interests of every person, other than a director or chief executive of the Company, being 10% 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	1,123,601,108
HSBC Finance (Netherlands)	1,123,031,659
HSBC Holdings B.V.	1,123,031,659
HSBC Investment Bank Holdings B.V.	1,081,551,594
HSBC International Trustee Limited*	1,080,582,744

\* Note: The shares in which HSBC International Trustee Limited was interested formed part of the shares in which HSBC Investment Bank Holdings B.V. was interested; the shares in which HSBC Investment Bank Holdings B.V. was interested formed part of the shares in which HSBC Holdings B.V. was interested; the shares in which HSBC Holdings B.V. was interested were the shares in which HSBC Finance (Netherlands) was interested and the shares in which HSBC Finance (Netherlands) 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, 1,053,103,347 shares were the shares referred to in the Note to section 1 of the section on “Directors’ Interests in Equities Securities”.



### PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its ordinary shares during the half year ended 31st December 2001. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's ordinary shares during this period.

### INTERIM DIVIDEND

The Directors declared an interim dividend of HK\$0.55 per share (2000 : HK\$0.55 per share) payable in cash on 8th April 2002 to shareholders on the Register of Members as at 8th April 2002.

The Register of Members will be closed from 28th March 2002 to 8th April 2002, both days inclusive. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Registrars, Central Registration Hong Kong Limited, Hopewell Centre, 17th Floor, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 27th March 2002.

### AUDIT COMMITTEE

The Audit Committee, which was established in pursuance of the requirements of the Listing Rules, comprises Mr. William Kwan Cheuk-yin (Chairman), Sir Sze-yuen Chung and Mr. Clement Lo Chiu-chun, met in September 2001 and March 2002.

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

### CODE OF BEST PRACTICE

No Director is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the interim report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

By Order of the Board

**Lai Ho-kai, Ernest**

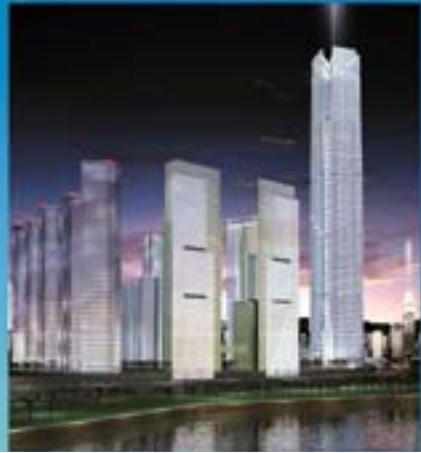
*Company Secretary*

Hong Kong, 12th March 2002

中環國際金融中心  
International Finance Centre, Central



機鐵九龍站發展計劃第五、六及七期  
Airport Railway Kowloon Station Development  
Packages 5, 6 and 7



將軍澳清水灣半島  
Oscar by the Sea,  
Tseung Kwan O



將軍澳中心  
Park Central,  
Tseung Kwan O



馬灣珀麗灣  
Park Island, Ma Wan



跑馬地禮頓山  
The Leighton Hill, Happy Valley



元朗朗庭園  
Villa by the Park, Yuen Long



屯門愛琴海岸  
Aegean Coast, Tuen Mun

沙田欣廷軒  
Prima Villa, Shatin

長沙灣昇悅居  
Liberté, Cheung Sha Wan

本集團致力發展優質物業及提供週全客戶服務，以強化品牌及提高競爭能力。回顧期內售出物業包括元朗朗庭園、將軍澳清水灣半島第二期及將軍澳中心第一期等。即將推售的主要樓盤有長沙灣昇悅居、馬灣珀麗灣及屯門愛琴海岸。被譽為豪宅新指標的跑馬地禮頓山，將於短期內入伙。

此外，位於機鐵香港站上蓋的國際金融中心及機鐵九龍站發展計劃第五、六及七期項目，工程順利，落成後將為香港甲級寫字樓開創更高質素的領域。

The Group is dedicated to creating premium properties and offering the finest customer service, in order to strengthen its brand and raise competitiveness. Projects sold during the period under review include Villa by the Park in Yuen Long and Oscar by the Sea Phase 2 and Park Central Phase 1 in Tseung Kwan O. Major projects expected to go on the market in the near future include Liberté in Cheung Sha Wan, Park Island on Ma Wan and Aegean Coast in Tuen Mun. The Leighton Hill in Happy Valley will be completed shortly, setting the benchmark for luxury property.

Construction of International Finance Centre above the Airport Railway Hong Kong Station and the Airport Railway Kowloon Station Development Packages 5, 6 and 7 is progressing smoothly. The projects will take the quality of Grade-A offices to a new level when complete.







[www.shkp.com.hk](http://www.shkp.com.hk)