



Mainland Business



The Mainland economy continues to grow rapidly, and the Group will increase its investments there on a gradual and selective basis, focusing on the property business in major cities including Beijing, Shanghai, Guangzhou and Shenzhen.

The Group's planned commercial complex will centre prominently in Lujiazui, Shanghai.

REVIEW OF OPERATIONS

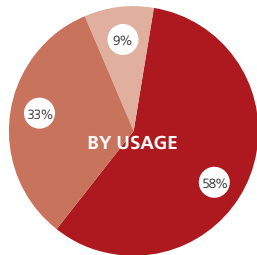
Mainland Business



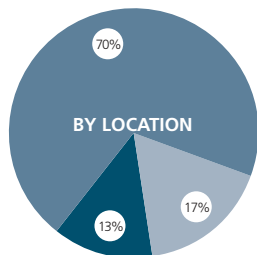
Plans are under way to reinforce Sun Dong An Plaza's market-leading position.

Composition of the Group's Mainland Land Bank

- 7.6 million square feet in attributable gross floor area



- Commercial
- Residential
- Hotel



- Beijing
- Shanghai
- Guangzhou and Pearl River Delta

In light of continued economic reform and rapid economic expansion on the Mainland, the Group is optimistic about future growth prospects for its Mainland investments. The Group recently signed an agreement to develop a new landmark commercial complex in Lujiazui, Shanghai. Looking ahead, the Group will continue increasing its Mainland investments on a gradual and selective basis, focusing on the property business in major cities including Beijing, Shanghai, Guangzhou and Shenzhen.

As at 30th June 2003, the Group held 5.8 million square feet of properties under development on the Mainland. In addition, it holds 1.8 million square feet of completed properties, consisting mainly of offices and shopping centres as long-term investments. All these projects are located in prime districts and achieve satisfactory leasing results. The Group's Mainland land bank is as follows:

Mainland Land Bank

	Attributable Gross Floor Area (million square feet)			
	Residential	Commercial	Hotel	Total
Properties under development				
Shanghai	1.0	2.8	0.7	4.5
Guangzhou and Pearl River Delta	1.2	0.1	-	1.3
Subtotal	2.2	2.9	0.7	5.8
Completed investment properties				
Beijing	-	1.0	-	1.0
Shanghai	0.3	0.5	-	0.8
Subtotal	0.3	1.5	-	1.8
Total	2.5	4.4	0.7	7.6

Major Completed Mainland Investment Properties

Project	Location	Lease Expiry	Group's Interest	Attributable Gross Floor Area (square feet)			Total
				Residential	Shopping Centre	Office	
Sun Dong An Plaza	138 Wangfujing Dajie, Beijing	2043	50%	–	650,000	215,000	865,000
Central Plaza	381 Huaihai Zhong Road, Shanghai	2044	75%	–	100,000	343,000	443,000
Shanghai Arcadia Phase 1	88 GuangYuan Xi Road, Shanghai	2064	66.5%	265,000	18,000	–	283,000

MAJOR COMPLETED MAINLAND INVESTMENT PROPERTIES

Sun Dong An Plaza

138 Wangfujing Dajie, Beijing (50% owned)

Sun Dong An Plaza is a recognized landmark in Beijing, comprising 1.3 million square feet of retail space and 430,000 square feet of office space. It is a major shopping destination in Beijing. The Group is embarking on a major re-positioning programme to underline Sun Dong An Plaza's market-leading position, in response to increased consumer spending and in anticipation of the 2008 Olympic Games. Overall performance was satisfactory during the year.

Central Plaza

381 Huaihai Zhong Road, Shanghai (75% owned)

Central Plaza is in the busiest commercial district in Puxi, Shanghai, providing 588,000 square feet of prime offices and retail space. Occupancy remained high during the year at 96 per cent for the offices and 98 per cent for the shopping centre.

Arcadia Shanghai Phase 1

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

The first phase of Arcadia Shanghai consists of over 500,000 square feet of serviced apartments in Xuhui. The majority of the development was retained as a rental property and leasing was satisfactory during the year.

MAJOR MAINLAND PROJECTS UNDER DEVELOPMENT

The Woodland

Zhongshan 5 Road, Zhongshan (Joint venture)

The Woodland is a low-rise development being built in phases amid a spacious and scenic environment. The first phase of 400,000 square feet containing 312 units is now under construction. Completion is expected in 2004. The Woodland was put on the market in April this year and achieved satisfactory sales. The second phase will include 776,000 square feet of residential premises, on which design work has already begun.

Arcadia Shanghai Phase 2

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

The second phase of Arcadia Shanghai consists of about 130,000 square feet of premium-quality residential apartments, comprising a 22-storey tower with 88 units. Construction is under way and scheduled for completion in the first quarter of 2004.

Lujiazui Central Financial District Plot X2, Shanghai (100% owned)

The Group is planning to build a commercial complex on this 690,000 square-foot site, which is located next to the famous Oriental Pearl TV Tower in Shanghai's Lujiazui finance and trade zone. The development will consist of 4.5 million square feet of top-grade offices, a shopping centre, serviced apartments and hotels, destined to be a new landmark in Shanghai. The entire project will be completed in three phases by 2011. Construction will start in 2004 with the first phase scheduled for completion in 2007.

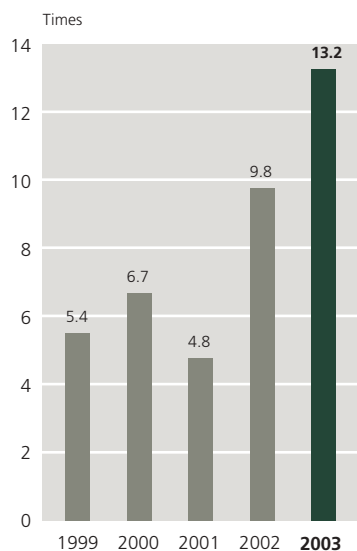
REVIEW OF OPERATIONS

Corporate Finance



Raymond Kwok, Vice Chairman & Managing Director (fourth left) and Amy Kwok, Executive Director of Sun Hung Kai Properties (Financial Services), at the HK\$8,000 million syndicated loan signing ceremony.

Interest Cover*



* Profit from operations to net interest expenses before capitalization

Credit Ratings

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

The Group is committed to its conservative financial policies, maintaining high liquidity and low financial leverage. As at 30th June 2003, its ratio of net debt to shareholders' funds had improved to 10.9 per cent, compared with 15.6 per cent in the previous year. The Group's profit before interest, tax and exceptional items for the year under review was 13.2 times its net interest expenses before capitalization, versus 9.8 times last year.

A self-arranged HK\$8,000 million seven-year fully-revolving syndicated loan facility with 20 reputable financial institutions has enabled the Group to lengthen the maturity of its debt and refinance short-term borrowings on more favourable terms. The Group also has substantial committed undrawn facilities, more than sufficient to meet its current funding needs and support future business expansion. All the Group's borrowings are unsecured.

The overwhelming majority of the Group's financing is in Hong Kong dollars, and hence carries very little foreign exchange risk. The Group does not enter into speculative derivative transactions and it has no off-balance-sheet or other contingent liabilities, except borrowings by joint-venture companies.

The Group has consistently earned high credit ratings; currently 'A' from Standard & Poor's and 'A3' from Moody's, the latter on a par with the Hong Kong government's sovereign rating for foreign debt.

REVIEW OF OPERATIONS Corporate Governance and Investor Relations

The Group is committed to maintaining high standards of corporate governance in every aspect of its business, as well as effective accountability mechanisms. It ensures high transparency about its corporate strategy by disseminating the information to the investment community and proactively engaging in interactive communications with investors. Well-developed reporting and internal control systems are important to the accuracy and reliability of financial information that the Group uses internally and releases to the public.

This commitment to the timely disclosure of relevant corporate information includes annual and interim reports and the distribution of regular press releases and periodicals such as the SHKP Quarterly, all of which are available on the Group's Internet site www.shkp.com. The Group also convenes post-results press conferences and analyst meetings, with directors and senior management present to answer questions.

As part of its efforts to strengthen close relationships with investors worldwide, the Group participated frequently in large-scale conferences and presentations. It also hosted non-deal road shows overseas in addition to regular meetings with investors, and organized property tours to various projects including YOHO Town and Two IFC.

In recognition of its management quality, the Group has received various major awards over the years. It was ranked number one among the Best Companies in Hong Kong and Best Property Companies in Asia by Euromoney magazine in both 2002 and 2001. It was also named Best Property Company in Asia by FinanceAsia magazine in 2003.

The Group has a reputation for its leading approach to corporate governance. It was named Hong Kong's Best Property Developer for corporate governance by Euromoney magazine in 2003. Looking to the future, the Group will continue to explore new ways of enhancing relations with investors in response to their changing needs.



The Group organized analyst tours of a number of new projects, including YOHO Town, to strengthen investor relations.



Directors and senior management meet with analysts right after results are announced.