

LOGISTICS BUSINESS

Capitalizing on its expertise in real estate development and management, transport infrastructure, information technology and air freight-related businesses, the Group has been exploring wide-ranging opportunities in logistics. Through **Sun Hung Kai Super Logistics Limited** and its subsidiaries, as well as a 50 per cent interest in **Sun Logistics Company Limited**, it is now offering customers a full range of third party logistics services, from warehouse management, distribution and fulfilment, to value-added services including assembly, bundling, labelling and repackaging.

The Group is seeking logistics business opportunities in Mainland China. Investments will concentrate primarily on major cities, with a focus on air freight logistics. It plans to work with joint venture partners on the Mainland and other allies worldwide to create a comprehensive logistics network, positioning itself as the partner of choice for logistics in the Asia Pacific region.



The Group's logistics arm offers a full range of third party logistics services.

WASTE MANAGEMENT

Through 20 per cent ownership of **Green Valley Landfill Limited**, **South China Transfer Limited** and **Pearl Delta Limited**, the Group works closely with PWM Environmental Services – a member company of the French-based multinational Onyx – for a better 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 the Hong Kong International Airport at Chek Lap Kok since it opened in July 1998.

Thomas Cook Hung Kai Currency Exchange Limited is a joint venture between the Group and Thomas Cook in which the Group holds a 25 per cent interest. As the sole money changer at Hong Kong's international airport, the company's major businesses are foreign exchange and the sale of various travel-related products. Revenue has been growing steadily with the increase in passengers travelling through 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 pension funds of publicly-listed companies and institutional and individual clients. Through the distribution of unit trusts and mutual funds via major financial intermediaries, including some of the world's top ten banks, the company's market share in the fund distribution industry is rising.

USI Holdings Limited, a publicly-listed company in which the Group owns a 19 per cent interest, is engaged in garment manufacturing and trading, property development and technology investments. 2000 was a challenging year for the company which registered a net loss of HK\$68.9 million. USI aims to consolidate its investments and strengthen its financial position in 2001. The company recorded a net profit of HK\$8.1 million in the first half of this year.



Sun Dong An Plaza, Beijing

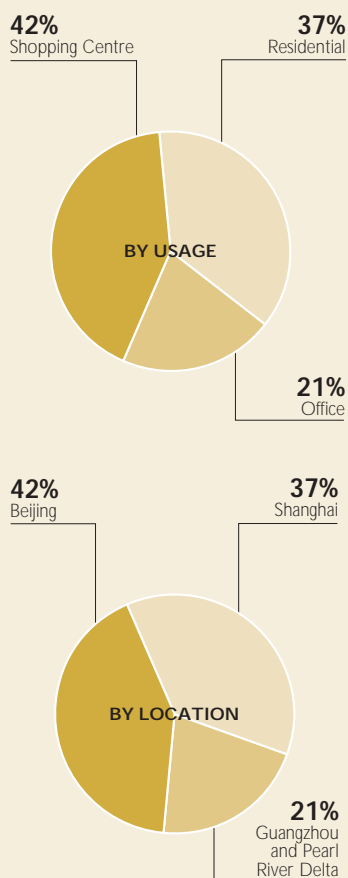
With China's entry to the WTO, continued economic reform and Beijing's successful bid to host the 2008 Olympic Games, the Group will capitalize on this favourable environment to expand its investments on the Mainland.

MAINLAND CHINA BUSINESS



Land Bank in Mainland China

Attributable gross floor area:
2.4 million square feet



With Beijing's successful bid to host the 2008 Olympic Games, China's entry to the WTO and continued economic reform, the Chinese economy will continue to prosper. While maintaining a focused approach, the Group will capitalize on this favourable environment to expand its investments on the Mainland gradually over time, concentrating on the property business. Taking advantage of experience gained through the development of various landmark projects over past years, the Group will continue to identify new opportunities, primarily in major cities including Beijing, Shanghai, Guangzhou and Shenzhen.

The Group holds 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 under development, most of which are residential projects. The Group's land bank in Mainland China, is summarized as follows:

Land Bank in Mainland China

	Attributable gross floor area in 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	0.4	0.1	0.3	0.8
Subtotal	0.4	0.9	0.5	1.8
Total	0.9	1.0	0.5	2.4

MAJOR PROJECTS IN MAINLAND CHINA

Beijing

Sun Dong An Plaza

138 Wangfujing Dajie (50% owned)

Sun Dong An Plaza recorded encouraging leasing results during the year and is now 95 per cent let. It comprises 1.3 million square feet of retail space and 430,000 square feet of offices. It is held under a 50-year lease that runs to 2043. As an established landmark, it was named one of the Top Ten Beijing Construction Projects of the 90s in a poll of Beijing citizens.

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. Leasing performance has been satisfactory with an overall occupancy rate of 93 per cent.

Arcadia Shanghai

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

The first phase of about 500,000 square feet of residential units and serviced apartments was completed in 1999. The first batch of residential units is being launched for sale and leasing of the remaining units is satisfactory. Planning of the second phase is being finalized. The property is held under a 70-year lease that expires in 2064.

Guangzhou and Pearl River Delta

Guangzhou Glorious City Garden

858 Dongfeng Road East (30% owned)

The first two phases of 1.7 million square feet of residential property are complete and virtually fully sold. Details of the third phase of the development are being planned.

Zhongshan Residential Project

Zhongshan 5 Road (Joint venture)

This project is planned for development into a large-scale residential estate in phases. The first phase of the project will have approximately 400 units. Preparation work is in progress.



Arcadia Shanghai is located in Xu Hui District, a traditional deluxe residential area of Shanghai.