



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.



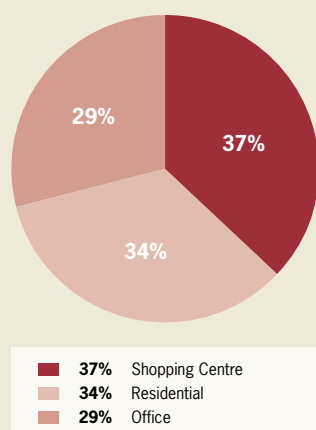
Sun Dong An Plaza, Beijing

REVIEW OF OPERATIONS – MAINLAND BUSINESS

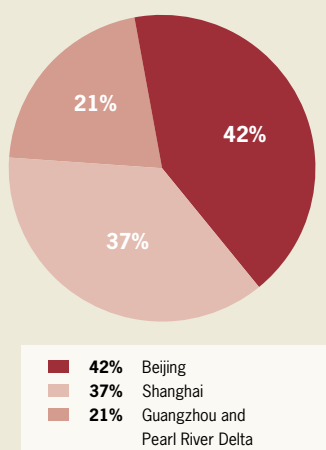
Composition of the Group's Mainland Land Bank

— 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

Zhongshan 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.



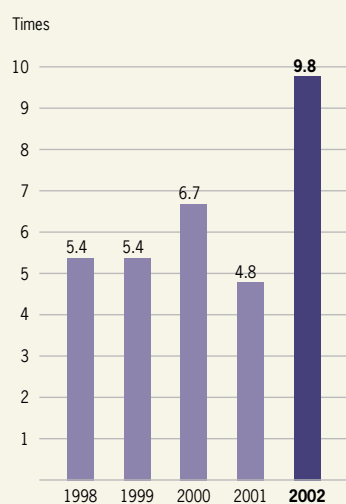
The second phase of Arcadia Shanghai will consist of 129,000 square feet of premium-quality residential apartments.

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.