

DIRECTORS' REPORT

The directors present their report for the year ended 30th June 2002:

PRINCIPAL ACTIVITIES

The principal activity of the Company continues to be holding investments in various subsidiaries.

The principal activities of the Group continue to be the development of and investment in properties for sale and rent. Ancillary and supporting businesses, which are described under subsidiaries on pages 134 to 138, are integrated with the main business of the Group. Turnover and contributions to operating profit from overseas activities are immaterial. A segmented analysis of turnover and contributions to operating profit for the Group (excluding jointly controlled entities and associates) is set out below:

	Turnover		Profit from Operations before Finance Cost	
	2002	2001	2002	2001
Property				
Property sales	16,164	8,218	4,044	3,625
Rental income	5,336	5,392	4,087	4,073
	21,500	13,610	8,131	7,698
Hotel operation	561	590	189	195
Other business activities	3,312	3,501	398	374
	25,373	17,701	8,718	8,267
Other revenue			394	547
Unallocated administrative expenses			(497)	(485)
Profit from operations			8,615	8,329

GROUP PROFITS

Profit after taxation, including share of profits less losses from jointly controlled entities and associates, amounted to HK\$8,455 million (2001: HK\$8,340 million). After taking minority interests into account, profit attributable to shareholders was HK\$8,519 million (2001: HK\$8,330 million).

DIVIDENDS

An interim dividend of HK\$0.55 per share (2001: HK\$0.55) was paid on 8th April 2002. The directors recommend a final dividend of HK\$1.00 per share (2001: HK\$1.00) and a special cash dividend of HK\$0.60 per share (2001: Nil), making a total dividend of HK\$2.15 per share for the full year ended 30th June 2002 (2001: HK\$1.55).

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company did not redeem any of its ordinary shares during the year. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's ordinary shares during the year.

SHARE PREMIUM AND RESERVES

Movements in the share premium and reserves of the Company and the Group during the year are shown in note 27 to the financial statements.

FIXED ASSETS

Movements of fixed assets during the year are shown in note 12 to the financial statements.

GROUP FINANCIAL SUMMARY

The results, assets and liabilities of the Group for the last five years are summarized on page 75.

PROPERTIES

Particulars of major investment properties held by the Group are set out on pages 44 and 45.

DIRECTORS

The list of directors is set out on page 8 of the report and their particulars are set out on pages 89 to 93. All directors held office for the whole year. In accordance with Article 104(A) of the Company's Articles of Association, Dr. Lee Shau-kee, Sir Po-shing Woo, Mr. Kwan Cheuk-yin, William and Mr. Chan Kui-yuen, Thomas will retire by rotation at the forthcoming Annual General Meeting and, being eligible, will offer themselves for re-election. None of the directors proposed for re-election has a service agreement with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN EQUITY SECURITIES

As at 30th June 2002, 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	–	–	–	1,075,346,522*	1,075,346,522
Lee Shau-kee	486,340	–	–	343,000	829,340
Kwok Ping-kwong, Thomas	1,901,281	304,065	–	1,073,396,214*	1,075,601,560
Kwok Ping-luen, Raymond	–	1,000	–	1,076,539,895*	1,076,540,895
Kwan Cheuk-yin, William	200,000	–	–	–	200,000
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. Kwok Ping-sheung, Walter, Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond. Of those shares in the Company, 1,053,362,347 shares represented the same interests and were therefore duplicated amongst those three directors.

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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
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. Kwok Ping-sheung, Walter, Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond. 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. Kwok Ping-sheung, Walter, Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond 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. Kwok Ping-sheung, Walter, Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond 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. Kwok Ping-sheung, Walter, Mr. Kwok Ping-luen, Raymond 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. Kwok Ping-luen, Raymond had personal interests of 692,846 ordinary shares in the equity securities of SmarTone Telecommunications Holdings Limited.

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(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

* **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 per cent and 15 per cent 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 per cent interest.

Dr. 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. Share 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 stated in the Share Option Schemes section below.

As the Company has not issued any debt securities, therefore save as disclosed above and in the Share Option Schemes 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 30th June 2002 as recorded in the register maintained under Section 29 of the SDI Ordinance. Furthermore, during the year, 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 on 20th November 1997 adopted a share option scheme ("SHKP Share Options" herein also referred to as "the Scheme"). The major terms of the Scheme, in conjunction with to the requirements of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"), are as follows:

1. The purpose of the Scheme is to provide incentives to the participants.
2. The participants of the Scheme are full-time employees including executive directors of the Company and its subsidiaries.
3. The maximum number of shares in respect of which options may be granted under the Scheme must not exceed one per cent of the total number of shares of the Company in issue from time to time. As at 26th September 2002, the number of shares available for issue in respect thereof is 24,009,073 shares.

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4. No participant shall be granted an option which, if exercised in full, would result in such participant's maximum entitlement to exceed 25 per cent of the aggregate number of shares for the time being issued and issuable under the Scheme.
5. The exercise period of any option granted under the Scheme must not be more than five years commencing on the date of grant.
6. No option can be exercised during the first year of the exercise period.
7. The acceptance of an offer of the grant of the option must be made within 28 days from the date of grant with a non-refundable payment of HK\$1.00 from the grantee.
8. The exercise price of an option to subscribe for shares granted pursuant to the Scheme shall be the highest of:-
 - the closing price of the shares as stated in daily quotations sheet of The Stock Exchange of Hong Kong Limited ("the Stock Exchange") on the date on which an offer is made to a participant, which must be a business day;
 - the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which an offer is made; and
 - the nominal value of the shares of the Company.
9. The Scheme shall be valid and effective till 19th November 2007.

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 options will expire.

The following shows the outstanding positions of the directors and chief executive as at 30th June 2002 with respect to their SHKP Share Options:

Name of Director	Date of Grant	Exercise Price HK\$	Number of Share Options					Balance as at 30.6.2002
			Balance as at 1.7.2001	Granted During the Year	Exercised During the Year	Cancelled/ Lapsed During the Year	Balance as at 30.6.2001	
Kwok Ping-sheung, Walter	16.7.2001	70.00	–	75,000	–	–	75,000	75,000
Kwok Ping-kwong, Thomas	16.7.2001	70.00	–	75,000	–	–	75,000	75,000
Kwok Ping-luen, Raymond	16.7.2001	70.00	–	75,000	–	–	75,000	75,000
Law King-wan	16.7.2001	70.00	–	75,000	–	–	75,000	75,000
Chan Kai-ming	16.7.2001	70.00	–	75,000	–	–	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>	225,000
Kwong Chun	16.7.2001	70.00	–	75,000	–	–	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>	225,000
Wong Chik-wing, Mike	15.2.2000	70.00	150,000	–	–	–	150,000	
	16.7.2001	70.00	–	75,000	–	–	<u>75,000</u>	225,000

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A summary of the movements during the year ended 30th June 2002 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	Number of Share Options					
	Exercise Price HK\$	Balance as at 1.7.2001	Granted During the Year	Exercised During the Year	Cancelled/ Lapsed During the Year	Balance as at 30.6.2002
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.

Pursuant to Rule 17.08 of the Listing Rules, the valuation of the SHKP Share Options granted during the year ended 30th June 2002 is as follows:-

Name of Participants	Number of Options		Option Value	
	Granted on 16.7.2001	as at 16.7.2001 (HK\$)	as at 30.6.2002 (HK\$)	
Kwok Ping-sheung, Walter (<i>Chairman and Chief Executive</i>)	75,000	1,931,739	1,066,661	
Kwok Ping-kwong, Thomas (<i>Director</i>)	75,000	1,931,739	1,066,661	
Kwok Ping-luen, Raymond (<i>Director</i>)	75,000	1,931,739	1,066,661	
Law King-wan (<i>Director</i>)	75,000	1,931,739	1,066,661	
Chan Kai-ming (<i>Director</i>)	75,000	1,931,739	1,066,661	
Chan Kui-yuen, Thomas (<i>Director</i>)	75,000	1,931,739	1,066,661	
Kwong Chun (<i>Director</i>)	75,000	1,931,739	1,066,661	
Wong Yick-kam, Michael (<i>Director</i>)	75,000	1,931,739	1,066,661	
Wong Chik-wing, Mike (<i>Director</i>)	75,000	1,931,739	1,066,661	
Aggregate total of employees	1,446,000	37,243,928	20,565,214	
Total	2,121,000	54,629,579	30,165,163	

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

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

1. *Risk Free Rate*

5.54 per cent, being the approximate yield of 5-year Exchange Fund Note traded on 16th July 2001.

2. *Expected Volatility*

42.48 per cent, being the annualised volatility of the closing price of the shares of the Company from 16th July 2000 to 15th July 2001.

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3. *Expected Dividend*

- (i) Yield: 2.24 per cent, being 2001 prospective dividend yield of the shares of the Company.
- (ii) Growth Rate: -7.1 per cent p.a., being 5-year historical dividend growth rate of the Company.

4. *Expected Life of the options is 5 years with the following assumptions:*

- (i) There is no material difference between the expected volatility over the whole life of the 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 options and the historical dividend growth rate of the Company over the previous five years.

According to the Black-Scholes model*, the total value of the options of the Scheme granted on 16th July 2001 was estimated at HK\$30,165,163 as at 30th June 2002 with the following variables and assumptions:-

1. *Risk Free Rate*

4.39 per cent, being the approximate yield of 5-year Exchange Fund Note traded on 30th June 2002.

2. *Expected Volatility*

38.23 per cent, being the annualised volatility of the closing price of the shares of the Company from 1st July 2001 to 30th June 2002.

3. *Expected Dividend*

- (i) Yield: 2.61 per cent, being 2002 prospective dividend yield of the shares of the Company.
- (ii) Growth Rate: -7.9 per cent p.a., being 5-year historical dividend growth rate of the Company.

4. *Expected Life of the options is 4 years with the following assumptions:*

- (i) There is no material difference between the expected volatility over the whole life of the options and the historical volatility of the shares of the Company over the period from 1st July 2001 to 30th June 2002.
- (ii) There is no material difference between the dividend growth rate over the whole life of the options and the historical dividend growth rate of the Company over the previous five years.

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

* **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. Share Options of Subsidiaries

The Company has on 4th May 2000 adopted three more share option schemes which were approved for three subsidiaries of the Company, SUNeVision Holdings Limited ("SUNeVision Share Option Scheme"), iAdvantage Limited ("iAdvantage Share Option Scheme") and SUNeVision Red-Dots Limited ("Red-Dots Share Option Scheme"). While Red-Dots Share Option Scheme (which had never been granted) was expired and lapsed on 8th January 2002, no option shares under iAdvantage Share Option Scheme have been granted to any person since their adoption that require to be disclosed under the Listing Rules.

The major terms of the SUNeVision Share Option Scheme and iAdvantage Share Options Scheme ("the Schemes"), in conjunction with the requirements of Chapter 23 of the Rules Governing the Listing of Securities on the Growth Enterprises Market ("GEM") of the Stock Exchange, are as follows:

1. The purposes of the Schemes are to provide incentives to their respective participants.
2. The participants of the SUNeVision Share Option Scheme are full-time employees including executive directors of SUNeVision and its subsidiaries.

The participants of the iAdvantage Share Option Scheme are full-time employees including executive directors of iAdvantage Limited ("iAdvantage") and its subsidiaries.

3. The maximum number of shares in respect of which options may be granted under the SUNeVision Share Option Scheme must not exceed 10 per cent of the total number of shares of SUNeVision in issue from time to time. As at 26th September 2002, the number of shares available for issue in respect thereof is 202,642,350.

The maximum number of shares in respect of which options may be granted under the iAdvantage Share Option Scheme must not exceed 10 per cent of the total number of shares of iAdvantage in issue from time to time. The issued share capital of iAdvantage as at 26th September 2002 is HK\$4. No option shares for the iAdvantage Share Option Scheme have been granted to any person since their adoption.

4. Pursuant to each of the Schemes, no participant shall be granted an option which, if exercised in full, would result in such participant's maximum entitlement to exceed 25 per cent of the aggregate number of the shares for the time being issued and issuable under the respective Scheme.
5. The exercise period of any option granted under the SUNeVision Share Option Scheme must not be less than three years to be notified by the Board of SUNeVision to each grantee which period of time shall commence on the date of grant of the option and expire on such date as determined by the Board of SUNeVision or 28th February 2010, whichever is the earlier, and subject to the provisions for early termination contained therein.

The exercise period of any option granted under the iAdvantage Share Option Scheme must not be less than three years to be notified by the Board of iAdvantage to each grantee which period of time shall commence on the date of grant of the option and expire on such date as determined by the Board of iAdvantage or 28th February 2010, whichever is the earlier, and subject to the provisions for early termination contained therein.

6. Pursuant to each of the Schemes, an option may be exercised in accordance with the terms of the respective Scheme at any time during a period to be notified by the respective Board to each grantee.
7. Pursuant to each of the Schemes, the acceptance of an offer of the grant of the respective options must be made within 28 days from the date of grant with a non-refundable payment of HK\$1.00 from the grantee.

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8. The exercise price of an option to subscribe for shares granted pursuant to the SUNeVision Share Option Scheme shall be the highest of:-

- the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which an offer is made to a participant, which must be a business day;
- the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which an offer is made; and
- the nominal value of the shares of the respective company.

The exercise price of an option to subscribe for shares granted pursuant to the iAdvantage Share Option Scheme shall be determined by the Board and notified to the grantee and shall not be less than the nominal value of an iAdvantage Share provided that in the case of a grantee which is a director of any holding company of iAdvantage which is also listed on the GEM or the Main Board of the Stock Exchange or his or her associate, the subscription price shall be determined on a fair and reasonable basis and not to be less than the latest audited net tangible assets per share of iAdvantage.

9. The Schemes shall be valid and effective till 28th February 2010.

Pursuant to the SUNeVision Share Option Scheme, the following directors and chief executive of the Company were granted share options 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 30.6.2002
			Balance as at 1.7.2001	Granted During the Year	Exercised During the Year	Cancelled/ Lapsed During the Year	
Kwok Ping-sheung, Walter	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 scheme as to:

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

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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.

A summary of the movements during the year ended 30th June 2002 of the share options granted under the SUNeVision Share Option Scheme 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 30.6.2002
		Balance as at 1.7.2001	Granted During the Year	Exercised During the Year	Cancelled/ Lapsed During the Year	
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 Option Scheme any share options to any other persons as required to be disclosed under Rule 17.07 of the Listing Rules.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the share option schemes as mentioned above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or of any other body corporate.

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SUBSTANTIAL SHAREHOLDERS

As at 30th June 2002, the interests of every person, other than a director or chief executive of the Company, being 10 per cent 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	1,127,673,876
HSBC Bank plc	1,082,887,682
Midcorp Limited	1,082,887,682
Griffin International Limited	1,082,887,682
HSBC Europe BV	1,082,887,682
HSBC Europe (Netherlands) BV	1,082,887,682
HSBC International Trustee Limited *	1,082,875,682

* **Note:** The shares in which HSBC International Trustee Limited was interested formed part of the shares in which HSBC Europe (Netherlands) BV was interested; the shares in which HSBC Europe (Netherlands) BV was interested were shares in which HSBC Europe BV was interested; the shares in which HSBC Europe BV was interested were the shares in which Griffin International Limited was interested, the shares in which Griffin International Limited was interested were the shares in which Midcorp Limited was interested, the shares in which Midcorp Limited was interested were the shares in which HSBC Bank plc was interested and the shares in which HSBC Bank plc 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, 1,053,362,347 shares were the shares referred to in the Note to section 1 of the sub-section on "Directors' Interests in Equity Securities".

BANK AND OTHER BORROWINGS

Details of bank and other borrowings are set out in notes 21 and 23 to the financial statements on pages 125 and 126.

INTEREST CAPITALIZED

Interest capitalized during the year amounted to HK\$317 million (2001: HK\$593 million).

CHARITABLE DONATIONS

HK\$68 million was donated during the year (2001: HK\$47 million).

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

The interests of directors of the Company in competing businesses as at 30th June 2002 required to be disclosed pursuant to Rule 8.10 of the Listing Rules were as follows:

Messrs. Kwok Ping-sheung, Walter, Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond are brothers (collectively "the Kwok Brothers") within a family whose businesses consist of property development and investment in Hong Kong through companies in which they have maintained certain personal and deemed interests. As such, they are regarded as being interested in such competing businesses ("Excluded Businesses") with the Company and its subsidiaries ("the Group"). However, when compared with the dominance and size of operations of the Group, such Excluded Businesses are immaterial. Since the Group does not have property developments and investments in locations other than in Hong Kong and Mainland China and the Kwok family does not have such business in the Mainland, the Kwok Brothers are therefore not regarded to be interested in such Excluded Businesses of the Group in the Mainland.

DIRECTORS' REPORT

Messrs. Kwok Ping-sheung, Walter and Kwok Ping-luen, Raymond are directors of The Kowloon Motor Bus Holdings Limited in which the Group has a substantial interest, which businesses consist of property development and investment. In this regard, each of them is regarded to be interested in such Excluded Businesses with the Group.

Messrs. Kwok Ping-luen, Raymond and Wong Yick-kam, Michael are respectively the Chairman and a director of SmarTone Telecommunications Holdings Limited in which the Group has a substantial interest, which businesses consist of internet services. In this respect, they are regarded to be interested in such Excluded Businesses with SUNeVision Holdings Limited, the technology arm of the Group.

Dr. Lee Shau-kee is the Chairman and Managing Director of Henderson Land Development Co. Limited and Henderson Investment Limited. He is also Chairman of Henderson China Holdings Limited, a director of The Miramar Hotel and Investment Co. Limited, The Hong Kong and China Gas Company Limited and certain subsidiaries of the aforementioned listed companies. In addition to his being a director, Dr. Lee has maintained certain personal and deemed interests in some of these companies, which businesses consist of property development and investment, property management, infrastructure, internet and telecommunication services, which constitute Excluded Businesses of the Group. Dr. Lee is a non-executive director of the Company, who is not involved in the daily management of the Group.

Messrs. Kwok Ping-luen, Raymond and Wong Yick-kam, Michael are non-executive directors of USI Holdings Limited and Mr. Wong Yick-kam, Michael also acts as alternate director to Mr. Kwok Ping-luen, Raymond. The Group has a substantial interest in the company, which businesses consist of property development and investment, and therefore each of them is regarded to be interested in such Excluded Businesses with the Group.

Other than the family businesses of the Kwok Brothers, the above-mentioned Excluded Businesses are managed by separate publicly listed companies with independent management and administration. In this respect, coupled with the diligence of its independent non-executive directors and the Audit Committee, the Group is capable of carrying on its businesses independent of, and at arms length from, the Excluded Businesses mentioned above.

CONNECTED TRANSACTION

On 14th September 2001, the Company provided a guarantee ("the Guarantee") in favour of a financial institution in the amount of 75/95 (approximately 78.95 per cent) of the obligation and liabilities of Shanghai Central Plaza Property Co., Ltd. ("the Borrower") under a US\$ loan facility of US\$50,000,000 and a Renminbi loan facility of RMB82,800,000. The Borrower is a Cooperative Joint Venture in which the Company has an effective holding of 75 per cent.

The other two ultimate shareholders of the Borrower, namely, Recosia Pte Ltd. ("Recosia") and Wing Tai Holdings Ltd. ("Wing Tai") has respectively provided guarantee for 15/95 (approximately 15.79 per cent) and 5/95 (approximately 5.26 per cent) of the Borrower's indebtedness.

In view of the foreign exchange restrictions in the PRC, the giving of guarantee by 上海復興建設發展有限公司 ("the Chinese Party"), being the remaining five per cent equity holder of the Borrower, in respect of a loan in foreign currency would not be approved. The Company, Recosia and Wing Tai therefore have provided guarantees on behalf of the Chinese Party in the aforesaid manner.

In view of above, the granting of the Guarantee by the Company constitute a connected transaction under Rule 14.25 (2)(a) of the Listing Rules.

DIRECTORS' REPORT

INTEREST IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director had a material interest subsisted at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, less than 30 per cent of the Group's sales and less than 30 per cent of the Group's purchases were attributable to the Group's five largest customers and five largest suppliers respectively.

AUDITORS

The retiring auditors, Messrs. Deloitte Touche Tohmatsu, have signified their willingness to continue in office. A resolution will be proposed at the Annual General Meeting to re-appoint them and to authorize the directors to fix their remuneration.

AUDIT COMMITTEE

The Audit Committee, which was established pursuant to the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, comprising Mr. Kwan Cheuk-yin, William (Chairman), Sir Sze-yuen Chung and Mr. Lo Chiu-chun, Clement, met twice in the year.

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

CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the listing of Securities on The Stock Exchange of Hong Kong Limited during the accounting period covered by this annual report.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Board.

Kwok Ping-sheung, Walter

Chairman & Chief Executive

Hong Kong, 26th September 2002