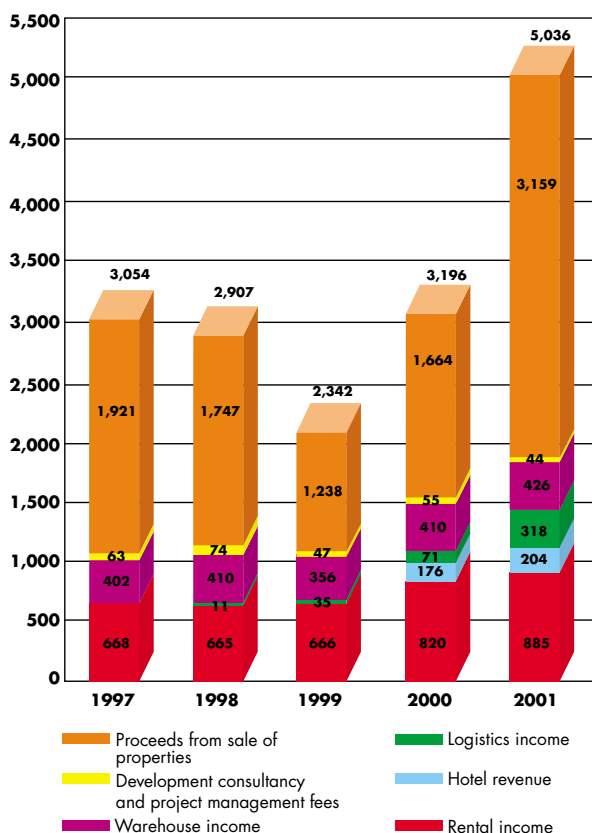


## Financial Review

### TURNOVER

Turnover for the Group for the year ended 31 December 2001 increased by 58% to HK\$5,036 million (2000: HK\$3,196 million). Turnover from both rental and sales registered increases during the year. Gross property sales income increased from HK\$1,664 million in 2000 to HK\$3,159 million in 2001. Property rental income also increased to HK\$885 million (2000: HK\$820 million) whilst income from warehouse and logistics amounted to HK\$744 million (2000: HK\$481 million). The Group's hotel operations contributed HK\$204 million to turnover during the year (2000: HK\$176 million).

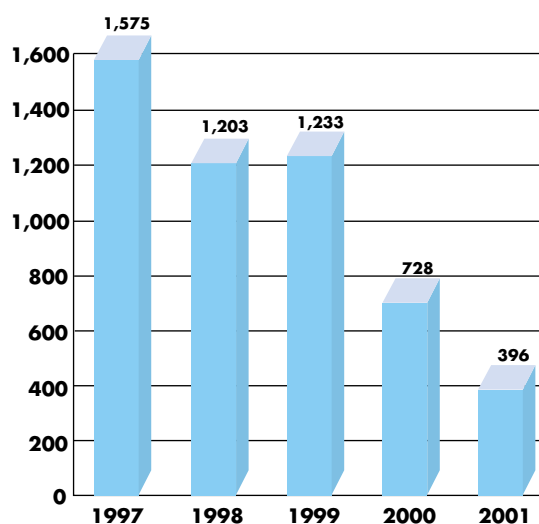
### BREAKDOWN OF KPL'S TOTAL TURNOVER HK\$ MILLION



### PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders decreased by 45.6% to HK\$396 million compared with HK\$728 million achieved in 2000. The main reason for the

### PROFIT ATTRIBUTABLE TO SHAREHOLDERS HK\$ MILLION

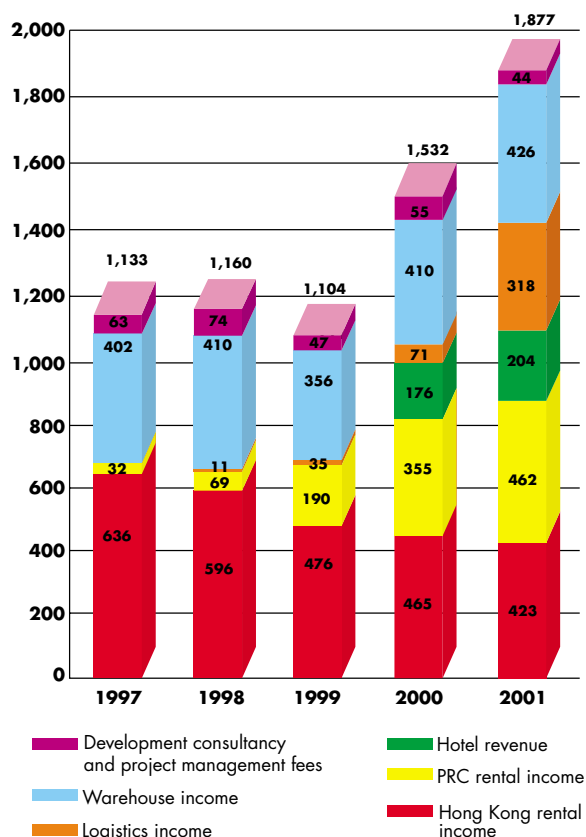


decrease in the Group's earnings in 2001 is due to losses incurred from the sales of Ocean Pointe, Kerry Everbright City, Yuen Long 2 warehouse and a specific provision of HK\$360 million in respect of its Constellation Cove project in Tai Po Kau. The Group's 75% share of the provision amounted to HK\$270 million. The Group also recorded a profit of approximately HK\$112 million from the disposal of its 19.6% interest in the Hu-Ning Expressway in December 2001.

### FUNDING AND FINANCING

In order to achieve better control of treasury operations and lower the average cost of funds, KPL has centralised funding for all its operations at the Group level. Financing is generally arranged at the Group level where foreign exchange exposure will also be reviewed and monitored. The Group considers that foreign exchange exposure does not pose a significant risk given that the level of foreign currency exposure is small relative to its total asset base. As at 31 December 2001, US\$ borrowings including convertible bonds amounted to US\$295 million whilst Renminbi (RMB) borrowings amounted to RMB796 million. The Group's US\$ exposure is also expected to be substantially reduced in March 2002 upon

### KPL'S RECURRENT INCOME BASE HK\$ MILLION



redemption of the US\$ convertible bonds if bondholders exercise the put option on the bonds.

During the year, the Group has continued to seek RMB funding to finance its development projects in the PRC and has secured RMB facilities amounting to RMB230 million.

In addition, the Group secured new HK\$ facilities amounting to approximately HK\$6,300 million during the year 2001, including a HK\$6,000 million 5 year unsecured syndicated loan facility which was signed in June 2001. The loan was used to refinance an existing syndicated loan which was due to mature in September 2001. This HK\$6,000 million loan facility is the largest syndicated loan raised by the Group since its listing and the loan amount was increased

from the original HK\$3,000 million due to the facility being oversubscribed by approximately 138%. Total commitments secured for this loan was HK\$7,150 million.

Subsequent to the year end in January 2002, the Group signed another 5 year unsecured syndicated loan facility amounting to HK\$4,500 million. This loan was used to refinance an existing HK\$4,205 million syndicated loan which pays a higher interest margin. Total commitments of HK\$7,150 million were again received from the banks for this facility but the Group decided to maintain the facility amount at HK\$4,500 million.

With these two new financings, the Group has successfully extended the maturity profile of its debt and at the same time lowered its borrowing costs.

Both facilities were self-arranged by the Group. The successful completion of the two syndicated loans is evidence of the strong support for the Group amongst the banking community and the great confidence of the banks in its strong credit quality.

The majority of the Group's borrowings are subject to floating interest rates except for certain loans in the PRC and the convertible bonds which are fixed interest loans. In order to lock in lower interest rates in the current low interest environment, during the year, the Group has entered into the following interest rate swap contracts:

Period	Duration	Notional Amount HK\$M	Average HIBOR Fixed Rate %
From 9-10/2001 to 9-10/2002	1 year	2,340	2.5350
From 10/2001 to 10/2004	3 years	2,200	3.7145

Subsequent to the year end, the Group entered into another four 3-year forward fixed interest rate swap contracts effective from 30 September 2002 with a total notional amount of HK\$1,560 million and HIBOR interest rates fixed at an average of 5.1025% per annum. The interest rate swap contracts will ensure the Group will have a more stable interest rate profile in future years.

Total borrowings including convertible bonds amounted to HK\$9,607 million at 31 December 2001. Approximately 34% of this debt is repayable within one year. At 31 December 2001, the Group had total undrawn facilities of approximately HK\$6,882 million and net cash on hand of approximately HK\$2,292 million. These available cash resources together with the strong recurring cashflows from the Group's core investment property portfolio and the anticipated cash inflows from the sale of properties in the coming year will enable the Group to fund its debt repayments without difficulties. The Group will also be in a strong financial position to take advantage of new attractive investment opportunities that may arise.

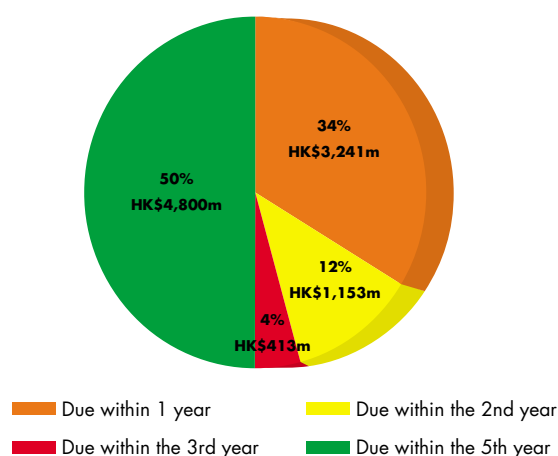
The Group is continually reviewing its financing requirements and will consider any unsecured bank financing and/or secured project financing as and when the need arises. Whenever possible, the Group intends to always obtain financing on a fully unsecured basis. During the year, the Group continued to maintain most of its borrowings on an unsecured basis. As at 31 December 2001, unsecured debt comprised of 78% of total borrowings.

In order to refinance existing facilities, finance developments and pay for new investments, the Group had made drawdowns on new loans amounting to approximately HK\$6.6 billion during the year. Loan repayments during the year amounted to

approximately HK\$7.9 billion, resulting in net repayments amounting to approximately HK\$1.3 billion in 2001.

At the year end, total net borrowings including convertible bonds amounted to HK\$7,315 million resulting in a gearing ratio of approximately 33%. The Group will continue with its financial strategy of maintaining a prudent gearing ratio and consider steps to reduce its borrowings as appropriate.

### PROFILE OF KPL'S BORROWINGS AT THE YEAR END (INCLUDING CONVERTIBLE BONDS) – BY MATURITY



### PROFILE OF KPL'S BORROWINGS AT THE YEAR END (INCLUDING CONVERTIBLE BONDS) – BY SECURITY

