

Hong Kong Property Division

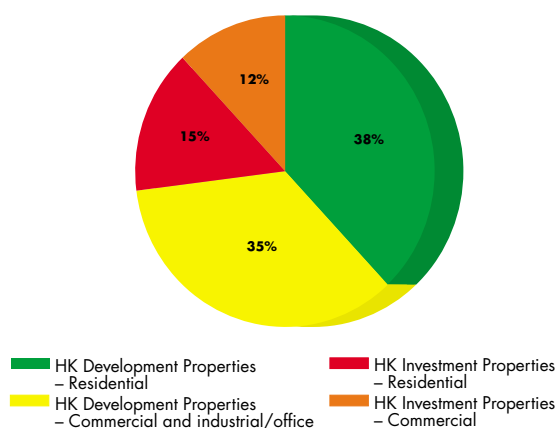
The Hong Kong economy and the property market continues to be weak after the 11 September 2001 incident in New York although there was a slight rebound in activity in the fourth quarter of the year. Despite historic low interest rates and numerous incentive schemes offered by property developers, the Group remains cautious in its outlook for the property sector.

The Group will continue to offer properties and facilities of the highest quality to our tenants and customers whilst making use of the latest high tech features to add values to its developments and services.

SALES OF PROPERTIES

The total gross proceeds from sales of properties in Hong Kong amounted to HK\$2,387 million in 2001 (2000: HK\$1,223 million). The increase was mainly derived from the sales of Ocean Pointe and Enterprise Square 2 during the year under review.

HONG KONG PROPERTY PORTFOLIO BY GROSS FLOOR AREA ("GFA")



Total GFA 6.6 million sq.ft. as at 31 December 2001

Sales of Ocean Pointe in Sham Tseng commenced in March 2001. The unique half-moon designed development received an overwhelming response from the public and has enjoyed good sales at favourable prices. During the year, the Group held a series of sales campaigns to market the units and has provided buyers with various attractive payment packages as incentives for purchasing the units. The Group will continue to sell the remaining units in the development during the coming year. As at 31 December 2001, approximately 78% of the development had been sold.

The occupation permit for Enterprise Square 2, an industrial/office building in Kowloon Bay, was received in April 2001 with the public sales of the building commencing in the same month. Enterprise Square 2 is a 27 storey building built over 6 floors



Clubhouse lobby of Ocean Pointe at Sham Tseng

of carpark and has a typical floor plate of approximately 10,000 square feet and a total gross floor area of approximately 250,000 square feet. Approximately 70% of the development had been sold as at 31 December 2001.

The Group has continued with the disposal of units in non-wholly owned properties like Enterprise Square and Tregunter Towers during the year under review. In 2001, approximately 19,872 square feet of Enterprise Square and 12 units in Tregunter Towers were sold. The remaining penthouse unit in Tavistock II was also sold in April 2001.



Enterprise Square 2, Kowloon Bay

In July 2001, the Group disposed of its 55.5% interest in Energy Plaza, a 16 storey commercial building with 6 floors of retail podium in Tsimshatsui, for an aggregate consideration of approximately HK\$389 million with the sale being completed in September 2001. The office block in the Tai Kok Tsui Phase 1 development, Olympian Tower, in which the Group has a 20% interest, was also sold in July 2001 to the Bank of China Group for approximately HK\$1,090 million. This sale was completed on 12 January 2002.



Living room of duplex apartment at Constellation Cove, Tai Po

Sales of the Group's joint venture developments are also progressing with approximately 89% and 75% in Phases 1 and 2 of the Tai Kok Tsui project being sold, respectively, as at 31 December 2001.

INVESTMENT PROPERTIES

Gross rental revenue from investment properties in 2001 amounted to HK\$423 million (2000: HK\$465 million). In accordance with its accounting policies, the Group conducted a revaluation of its investment properties at the year end.

The Group's portfolio of luxury residential properties include Aigburth, Branksome, Tavistock, Tregunter Towers 1 and 2 and Gladdon in the Mid-Levels and Belgravia located on Island South, have all helped to continue to maintain its strong recurrent income

base. They are leasing well with average occupancy rates being approximately 96% as at 31 December 2001.

As at 31 December 2001, approximately 98% and 82% of the lettable area in Olympian City 1 and 2, the commercial podiums of phases 1 and 2 of the Tai Kok Tsui project, respectively, were leased. The Tai Kok Tsui project is a mixed-use development conveniently located next to the Olympic MTR Station.

Apart from the good locations and top quality designs of its properties, the Group also strives to provide its residents with the best professional property management services through its wholly-owned subsidiary, Kerry Property Management Services Limited. Security in the Group's developments is also enhanced by the use of advanced CCTV system and a computerised security checking schedule whenever possible.

In view of the above, the Group continues to generate strong recurrent income from its investment properties and has maintained good leasing results with average occupancy rates for the entire portfolio being approximately 93% at the year end.



Detached houses at Constellation Cove, Tai Po

PROPERTIES UNDER DEVELOPMENTS

The development of Constellation Cove, located adjacent to Tolo Harbour in Tai Po Kau, is progressing satisfactorily. Internal and external finishing works of the houses and apartments have generally been completed. The occupation permit was issued subsequent to the year end in January 2002 and the pre-sales of the apartment blocks commenced at the end of February 2002.

Constellation Cove comprises a total of 286 residential units, including 50 deluxe detached houses ranging from 3,200 to 3,900 square feet, 28

uniquely designed duplex villas ranging from 2,700 to 2,900 square feet and 12 blocks of 10 storey luxury apartments offering 200 standard units from 1,300 to 1,500 square feet and 8 penthouse units of 3,000 square feet.

Located within a short distance of the Hong Kong Science Park which is currently under construction, Constellation Cove occupies a site area of approximately 800,000 square feet with nearly 90% reserved for extensive landscaping. Detached houses featuring high ceilings, private garage and gardens, may also include a swimming pool for the added

touch of luxury. As highlighted by the stylish exterior curves, the first floor units of the luxury apartment blocks will enjoy a private garden whilst the penthouse units will include an exclusive rooftop veranda for the enjoyment of residents.

The clubhouse boasts an area of over 70,000 square feet and features a wide array of sports and recreational facilities for residents of all ages and needs. The facilities are housed in separate detached locations to create a private resort atmosphere. The facilities in the clubhouse include gymnasium, sauna, jacuzzi, billiards room, children's play room, wading and swimming pools, golf driving range and tennis courts. All these facilities are linked by brightly lit walkways decorated with plants.

Constellation Cove is one of the few residential projects in Hong Kong which incorporates the concept of "Green Management". The generous floor to ceiling heights as well as larger windows provide better ventilation and allows maximum natural light penetration thus reducing power consumption. Special arrangements have also been made for waste management and recycling.

Ava Mansion, another of the Group's luxury developments, is located at the prestigious address of 3 Tregunter Path, Mid-Levels, adjacent to another of the Group's luxury residential buildings, Branksome. The Group has made use of the unutilised



Jupiter Terrace, North Point

plot ratio in the Branksome site to maximize the land use to build Ava Mansion. Site formation and piling works for Ava Mansion are in progress. The development, with buildable gross floor area of approximately 142,848 square feet, is expected to be completed by the end of 2003.

The Ava Mansion development will comprise a 39 storey luxury residential building with ancillary carparks and clubhouse facilities offering panoramic sea views of the city and the harbour. Ava Mansion,



The sites of Enterprise Square 3 (white hoarding) and Enterprise Square 4 in the foreground outlined in red in Kowloon Bay

when completed, will provide 68 apartments inclusive of 2 duplex penthouses with unit sizes ranging from 2,230 square feet to 5,400 square feet. Each penthouse will have an exclusive swimming pool.

Piling work in Enterprise Square 3 has been completed and the project will provide 553,872 square feet of commercial and office space when completed. Site formation work and piling work in

Tsuen Wan Town Lot 404, a 50% joint venture between the Group and Sino Land, are also in progress. The site area of this residential development is approximately 75,025 square feet with buildable gross floor area of approximately 225,066 square feet. Both projects are expected to be completed by December 2003.



Proposed Ava Mansion development, Tregunter Path, Mid-Levels

ACQUISITIONS AND FUTURE PLANS

In December 2001, the Group acquired a property at 18 Jupiter Street, North Point. The property, later renamed as Jupiter Terrace, is located within walking distance of Causeway Bay and comprises of two residential towers over a two floor commercial podium with a total of 188 residential units. The property consists of two bedroom and three bedroom units with sizes ranging from 628 to 738 square feet, respectively. The commercial podium has a total gross floor area of over 20,000 square feet with two levels of carparks in the basement. The intention is to refurbish the property for public sale after renovation.

Subsequent to the year end in January 2002, Jupiter Terrace was launched for public sale. The sale of the property received an enthusiastic response from the public and as at the date of this report, approximately 93% of the units were already sold. The refurbishment of Jupiter Terrace is in progress and is targeted to be finished by April 2002.

Similar to Enterprise Square 3, the industrial office site in NKIL 5927 has been rezoned to "Business Use" under the draft Outline Zoning Plan gazetted on 19 January 2001 and is planned to be developed into Enterprise Square phase four. This site is currently under the planning stage and would provide approximately 1.6 million square feet when completed.

The Enterprise Square developments are located in the heart of Kowloon Bay and enjoy the convenience of the future transportation facilities being planned for the area including the proposed MTR Eastern Kowloon Extension. The developments will become a cluster of quality offices and retail complexes establishing a unique high quality grade A commercial community of its own in Kowloon Bay. These developments when completed, are expected to be amongst the best available office properties in Kowloon Bay.

The Town Planning Board confirmed the Residential Zoning for Ap Lei Chau Inland Lot No. 129. The Group acquired this site in August 1999 and the Group's share of gross floor area of this development is 319,663 square feet. This site is intended to be developed into a residential project.

Land exchange and land premium negotiations for the 1 million square feet Hoh Fuk Tong redevelopment project is still in progress. The development is expected to be completed in phases to 2007.

The Group's total property portfolio in Hong Kong is approximately 6.6 million square feet. The gross asset value of the Group's properties in Hong Kong was approximately HK\$16,453 million (2000: HK\$19,847 million) as at 31 December 2001 comprising HK\$12,121 million (2000: HK\$14,842 million) and HK\$4,332 million (2000: HK\$5,005 million) of residential and commercial properties, respectively.