

## *PRC Property Division*

*The increasing occupancies of the new investment properties and good sales achieved with respect to launches of properties in the PRC helped to sustain the earnings of the Group in 2001. Proceeds from the sale of properties are mainly derived from the pre-sales of Central Residences and the sales of Kerry Everbright City in Shanghai. The PRC's entry into the World Trade Organisation ("WTO") in 2001, the merging of the domestic and the foreign-sale residential markets in Shanghai and the 2008 Olympics in Beijing will definitely benefit the Division as a whole. The Group will continue to adopt a prudent approach in planning the development of its property projects in major cities in the PRC.*

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Regency Park Phase IIIA, Shenzhen, PRC

### SALES OF PROPERTIES

Sales of properties in the PRC amounted to HK\$679 million in 2001 (2000: HK\$441 million) as a result of the sales of Central Residences and Kerry Everbright City during the year.

The merging of the domestic and the foreign-sale residential markets in Shanghai was effected in 2001. This was a significant reform for the Shanghai real estate market and has boosted the sentiment in the property sector as a whole. The Group has received enthusiastic responses for the pre-sale of its Central Residences Towers 3 and 5 in Shanghai. The pre-sale of Towers 3 and 5 commenced in June and November 2001, respectively, with exhibitions held in Hong Kong. Average achieved selling prices for Towers 3 and 5 are approximately US\$2,535 and US\$1,972 per square metre, respectively.



Central Residences in Shanghai, PRC

Central Residences is located at Hua Shan Road in Shanghai, which is considered to be one of the most prestigious residential areas in Shanghai. The property enjoys the convenience of good transportation facilities within the city with a subway station and access to major highways in close proximity. The project, which has 2 phases comprising of 4 buildings, offers a total of 547 residential units. It covers a site of 18,552 square metres, and has a

total gross floor area of approximately 121,760 square metres. Construction of Towers 3 and 5 are expected to be completed by the third quarter of 2002. The buyers of Central Residences include Hong Kong and Taiwanese businessmen and executives who work in Shanghai, Shanghainese in Hong Kong and property investors. As at 31 December 2001, Towers 1, 2, 3 and 5 were approximately 99%, 100%, 83% and 44% sold, respectively.



Beijing Kerry Centre, Beijing, PRC

Sales in Kerry Everbright City is also progressing with approximately 8% and 88% of Towers 1 and 2 in the Phase 1 development being sold as at 31 December 2001. The Group will continue with the sale of this property in the coming year.

All 16 villas in Phase 3A of the Shenzhen Regency Park development were sold as at 31 December 2001 with the sale of the last villa to be completed subsequent to the year end. Construction work for the Phase 3B development, comprising of 7 deluxe houses each measuring over 700 square metres, has already commenced.

### INVESTMENT PROPERTIES

Leasing activities in Beijing Kerry Centre are progressing well as a result of the strong PRC economy and the superb location, top quality design and professional estate management of the property. As at 31 December 2001, the office, residential and commercial podium of Beijing Kerry Centre achieved an occupancy rate of 91%, 70% and 86%, respectively.

Beijing Kerry Centre Hotel, which is fully operational, has also performed satisfactorily during the year with an average occupancy rate of approximately 68% and average transient rate of approximately US\$118. The Group is expected to benefit from the continued high demand in the market as a result of the 2008 Olympics to be held in Beijing. Increased business opportunities are expected which will benefit the Division as a whole.

Despite the highly competitive environment in Shanghai, occupancy in Shanghai Kerry Centre remains high. At the end of December 2001, the office tower and commercial podium were both approximately 93% leased. The service apartments, Kerry Residences was 68% leased as at the year end.

As at 31 December 2001, Tower 1 of Kerry Everbright City was 76% leased. Pacific Department Store opened its third retail department store in Shanghai in the commercial podium of Kerry Everbright City in December 2000. The store offers a wide selection of products and it also operates a supermarket within the shopping mall. The commercial podium is now 100% leased.

The marketing activities of Shenzhen Kerry Centre are continuing and approximately 68% and 30% of the office space has been leased and sold, respectively, at 31 December 2001. In addition, the worldwide purchasing centre of Wal-Mart has contracted to occupy the second, third and fourth floors of the commercial podium of this building in July 2001. Accordingly, the occupancy rate of the commercial podium now stands at 98%.

### ACQUISITIONS AND FUTURE PLANS

The development of the Cao Jia Yan project in Shanghai is on schedule. Located adjacent to Central Residences in Hua Shan Road, the Group is confident that when completed, the development will be very well received by the public. Vacant possession is targeted by early 2002 and planning and design works are currently in progress.

A letter of intent was signed with the Land Grant Committee Office of the Jingan District in Shanghai to develop residential housing at No.1288 Yan An Zhong Road in April 2001. The development is located south-west of Shanghai Kerry Centre in the Jingan district with the intention to construct a high rise luxury residential development with a total buildable area of approximately 44,700 square metres with landscaped gardens. The proposed land cost amounts to an accommodation value of approximately US\$489 per square metre and the land use contract was signed on 6 February 2002. The development is expected to be completed by December 2004.



Kerry Everbright City in Shanghai, PRC



Proposed residential development in Futian, Shenzhen, PRC

In October 2001, the Group entered into a joint venture called Beijing BHL Logistics Limited to acquire a piece of land at Shibalidian in Chaoyang District, Beijing. The Group has a 20% interest in the joint venture. It is intended that the joint venture company will perform all necessary work for the relocation and resettlement of the current occupiers of the land. After completion, the land will be parceled out to individual companies to be formed for the development of the land. The project occupies a total site area of approximately 3.9 million square metres. The investment in the joint venture company is

estimated to be approximately RMB 1.5 billion and as at 31 December 2001, US\$300,000 has been injected into the company as part of the Group's 20% share of the share capital.

Due to the strong property market in Shenzhen and the city's high average income, the Group intends to release its Futian project in Shenzhen for pre-sales in the second half of 2002. The Futian project is located east of the central district in Shenzhen and covers a site of approximately 33,600 square metres with a total buildable gross floor area of approximately

94,000 square metres. It is intended to be a luxury residential development with an exclusive clubhouse with accompanying facilities. The initial design of the development has been approved by the Government and detailed design work is in progress. Construction of the project has commenced and is expected to be completed in the second half of 2004.

Due to the improving economic outlook in the PRC, the Yu Quan Hua Yuan project in Fuzhou has been restarted with foundation work currently in progress. The project is intended to be a residential development with retail shops.

The Group's total property portfolio in the PRC is approximately 17 million square feet. The gross asset value of the Group's properties in the PRC was approximately HK\$6,617 million (2000: HK\$6,611 million) as at 31 December 2001. Revenue from PRC properties is expected to continue to be strong in future years due to the improving economic outlook and the entry of the PRC into the WTO. The strategic location and the quality of the Group's properties in the PRC and its excellent professional building management services will also help to further strengthen the recurrent income base.

The Group will also continue to adopt a selective and prudent approach to investments in the PRC by focusing on prime developments in the PRC's major cities, such as Beijing, Shanghai and Shenzhen. The Group is constantly monitoring market conditions and is always evaluating possible development plans for its land bank in the PRC.